

# History of Iran's Economic Crisis

## 1971s- 2021s



**Author and translator:**

**Kavos Navidan**

**October 2024**

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## **Preface and Abstraction**

The content of this book presents a historical account of Iran's economic developments and crises from the year 1971s to 2021s (1350 to 1400 Iranian calendar), outlining the changes in the country's economy over five decades. It covers the economic conditions during various periods, both before and after the Islamic Revolution of Iran. The book also aims to illustrate and compare the economic changes, widespread embezzlements, and financial and economic corruption, particularly during the 2000s and 2010s. It explores the reasons behind the stagnation, lack of economic growth, and underdevelopment of Iran, providing information about ongoing economic crises, persistent recessions, and rising inflation over different periods. Additionally, it explains how rent-seeking behavior emerged and took shape, highlighting that most instances of financial corruption became evident during the ninth to twelfth governments in Iran. It also includes reports on the developments and the excessive rise in the currency and gold markets during the 2000s and 2010s particularly under the twelfth and thirteenth governments. These developments led to increased economic inflation. As a result, high inflation and rising energy and fuel prices caused the overall prices of essential goods to increase, including the cost of gasoline and basic necessities such as food, clothing, education expenses, and especially housing. Furthermore, the repeated surges in the prices of essential goods have pushed lower-income and middle-class groups further toward poverty. In the final chapter, the challenges of economic recession, the reasons for the lack of economic growth, and the root causes of the issues in the late 2010s are reviewed. It explains that, due to restrictive monetary, currency, and economic policies, along with the inefficiency of government economic officials, not only educated and elite young people have emigrated, but also a number of doctors, medical staff, and even some private manufacturing business owners have either emigrated or are in the process of doing so. These types of economic policies have exclusively benefited semi-governmental companies (so-called "khosoulati"), importers of essential goods, and especially car manufacturers

and importers. In such an economic climate, only those companies using special privileges, resources, or opportunities are gaining benefits.

The purpose of writing this book is to shed light on the economic developments and crises for young people and those interested in these issues. I have done my best to depict the turbulent state of Iran's economy over approximately five decades. My aim has been solely to present the events, facts, and economic crises across various periods for the benefit of young readers and those interested in economic history and the reasons behind Iran's underdevelopment.

In writing about the economic changes and crises, I have drawn upon reference books, relevant articles, the views of economists as well as statistics, data, tables, and various economic charts from reliable sources such as the Central Bank of Iran and Iranian economic newspapers and media.

I dedicate this book to my friends and all those who are passionate about understanding these issues.

**Kavos Navidan**

**October 2024**

## **Part One: Economic Situation and Developments Before the Islamic Revolution**

### **Chapter 1**

#### **Economic and financial policies of the Hoveida government**

During the years of Mohammad Reza Shah's rule and the premiership of Hoveyda, numerous developmental and structural reforms were implemented across the country particularly in the areas of modernization and infrastructure development. These included road construction the establishment of oil and petrochemical projects, and the founding of various industrial factories. At that time, most of the major American and British oil companies were involved in the extraction, production, and export of crude oil in southern Iran. These companies earned the majority of the profits and benefits from the sale of oil products and crude oil exports. During this time, the Capitulation Law (extraterritorial rights) was enforced in Iran. This meant that if American citizens committed a crime or even a serious offense such as murder in Iran, the Iranian government had no right to interrogate or prosecute the accused individual. With the approval of the Capitulation Law, the United States granted a \$200 million loan to the Iranian government, specifically for the purchase of weapons. Mohammad Reza Shah, who had based his power on the pillars of government bureaucracy, the royal court, and the military, irrationally turned to large-scale arms purchases. As a result, Iran's military spending as a share of its Gross National Product (GNP) became three times higher than that of the

United States and the Soviet Union, and six times higher than that of European countries. The approval and implementation of the Capitulation Law was primarily due to the fact that Mohammad Reza Shah Pahlavi came to power through a coup on August 19, 1953 (28 Mordad 1332) with the support of the American and British governments. At the time, the U.S. government supported him, and for a certain period, the Shah of Iran benefited from financial, economic, military, and industrial support provided by the United States. After reestablishing the Senate and appointing ministers of his own choosing, the Shah of Iran took control of the government. In the first year of General Zahedi's premiership who was appointed by the Shah following the overthrow of Dr. Mossadegh an agreement was signed regarding the division of Iran's oil consortium shares. Under this agreement, 40% of the rights to extract and sell Iran's crude oil were granted to the former Anglo-Iranian Oil Company (which had previously held shared interests with Iran). Prior to the nationalization of Iran's oil industry, the extraction of oil in southern Iran was exclusively controlled by the Anglo-Iranian Oil Company. According to the new consortium deal:

- **40%** of the oil rights were given to American oil companies,
- **40%** remained with the Anglo-Iranian Oil Company,
- and the remaining **20%** was divided between the Royal Dutch Shell (a joint Dutch-British company) and the French state oil company.

This restructuring essentially returned control of Iran's oil to foreign interests, despite the earlier nationalization movement. Out of the total 40% share of crude oil sales profits held by the Anglo-Iranian Oil Company, only 10% belonged to Iran, and even from that 10%, only a portion of the oil revenue actually reached the Iranian government. During the Shah's 37-year reign, for 25 years, a series of economic,



military, and cultural agreements were signed with the United States. During this time, the Shah of Iran undertook a variety of development projects, including the construction of major highways, expansion of the railway system, and the establishment and operation of both large and small manufacturing factories.

Notably, he founded industrial complexes such as the Tabriz and Arak Machine Manufacturing Companies, and also launched petrochemical production plants in southern Iran and Shiraz city. Additionally the Azadi Tower (formerly known as Shahyad Tower), located in today's Azadi Square in Tehran, was built in 1969 (1348 in the Iranian calendar) by a French contractor and stands as a symbolic architectural legacy from the Shah's era.

Members of the Pahlavi royal family amassed great wealth through various means, including:

- Profits from the sale of lands seized during Reza Shah's reign,
- Control over approximately two billion dollars in oil revenues,
- Income from operating casinos, drug trafficking, and brokerage in foreign trade deals,
- And illicit involvement in the shares of hundreds of private and state-owned companies.

These activities brought them enormous profits. Western observers estimated that Mohammad Reza Shah alone had transferred more than 20 billion dollars out of Iran.

Eventually, following a suggestion by Israeli advisors, the Shah decided to organize 2500<sup>th</sup> Anniversary celebration of the Persian monarchy. These celebrations, held in year 1971, reflected the Shah's grandiose ambitions and dreams of imperial glory.

The event was extremely lavish, and its enormous costs were covered by the state budget ultimately at the expense of the Iranian people.

### **Sample of a Pahlavi gold coin from the 1970s**



### **Waste of financial resources by Asadullah A'lam during the Shah's regime**

In the early 1970s, as hardworking Iranian laborers toiled under the sun to prepare the grounds around Persepolis, they could not have imagined that ancient Persian kings still held so much symbolic power that billions of toman, along with the resources, time, and efforts of the Iranian people, would be consumed to glorify their decaying tombs. It was as if the spirits of Iran's autocratic monarchs were still not satisfied with their past wealth and luxury, requiring nearly four years' worth of the country's budget and the manpower of various governmental and non-governmental institutions to serve their memory. This ill-fated celebration not only devoured development funds and a significant portion of the national budget, but also

squandered foreign currency revenues, contributing further to economic mismanagement. The 2500<sup>th</sup> Anniversary celebration also directly created numerous problems for various segments of society. According to official records, Senator Bushehri, who was involved in the commission for organizing the ceremonies, ordered the Ministry of Housing and Urban Development at the time to compel engineers and contractors to restore Cyrus the Great's tomb and landscape the surrounding area at their own expense. Most of the logistical and ceremonial responsibilities were outsourced to foreign entities. For instance:

- Royal family outfits, commemorative medals, ceremonial uniforms, and security equipment were all designed and produced in France and then shipped to Iran.

- The luxury Maxim's Restaurant of Paris was tasked with catering, providing foreign cuisine and various alcoholic drinks, served by 131 experienced staff.

- The French Janssen Institute was also responsible for setting up the leaders' tents, signing a contract with Iran worth about seven million dollars just for providing and installing those tents. Moreover, Asadollah Alam, the then-Minister of the Royal Court, ordered that outfits Princess Shams Pahlavi (the Shah's sister) had ordered from a Parisian boutique be paid for from the celebration's funds. The Central Bank of Iran was even instructed to produce and deliver a diamond tiara, a pair of pearl earrings, and a diamond necklace using the event's budget for the wives of Gholamreza Pahlavi and Abdolreza Pahlavi, both brothers of the Shah. According to the available documents, the 2,500-year celebrations held in year 1971 cost between \$120 to \$150 million. At that time, the global price of oil was about \$2 per barrel, and Iran's foreign currency revenues from crude oil exports were approximately \$1.5 billion. Spending around 10% of the country's total annual budget on a single event placed a heavy burden on the Shah's regime. For this reason,

Asadollah Alam, from the outset of his leadership in organizing the event, implemented extensive measures to cover the costs by diverting funds from alternative channels such as the fixed and annual budgets of various ministries and government agencies. Meanwhile, the most outspoken and severe criticism of the celebrations came from the opposition, particularly Ayatollah Khomeini. He vehemently attacked the event, condemning the astronomical expenses involved. Khomeini also harshly criticized the Shah's regime for seeking help from Israeli experts to organize the celebrations, especially while the Islamic world was in confrontation with Israel calling this collaboration deeply shameful and unjustifiable. Also, the extravagance and the staggering wastefulness that Asadollah Alam engaged in to make the celebrations glamorous were so excessive that even Farah Pahlavi objected to them. In such a situation, Alam, who had become angry at Farah's criticisms, complained about her to the Shah and even said that if these criticisms continue, he would resign from his position as the head of the celebrations. Even Asadollah Alam himself referred in his writings to Farah's interference in his work and the way the celebrations were being organized.

All the extravagance and planning that went into organizing the celebration failed to produce the outcomes and results the Shah's regime had hoped for. Instead of admiration and praise, the regime was met with mockery, criticism, and condemnation. For example, at the time, George Ball, an American who had attended the Shah's coronation in 1967 compared it to these celebrations and wrote: *"The son of a Cossack considers himself the king of a country whose people have a per capita income of 250 dollars (with the dollar's exchange rate in the 1970s being about 6 to 7 tomans), and he talks about modernizing his country. I think in four years it will be even worse, considering that about 120 million dollars were spent on the lavish Persepolis ceremony."*

The meaningful and courageous criticisms of the Shah's imperial celebrations became so widespread that Asadollah Alam, the head organizer of the event, stepped in to defend them, calling them necessary and essential. Elsewhere, in response to objections regarding the astronomical costs of the celebrations amid the country's severe poverty costs which were suspected to be even higher than the officially announced figures. He stated: *"The 2,500-year celebrations cannot be measured in monetary terms."*

This imperial celebration, during that period, only gave the Shah of Iran a superficial grandeur and prestige at the time of its execution. However, the visits of certain prominent figures and top international journalists to Iran made them aware of the poverty and deprivation affecting many segments of both urban and rural Iranian society in the early 1970s. As a result, the Shah faced internal and international criticism and protests. After the ceremonies concluded, on October 18, 1971, the Shah appeared at Saadabad Palace for a press conference attended by 130 of the world's most prominent journalists.

A former United Press reporter in Iran asked a provocative question: *"At a time when Iran owes millions of dollars to foreign banks and governments, how could such enormous expenses be justified for the imperial celebrations? Was this in the best interest of the country or the Shah himself?"*

After a moment of reflection, the Shah of Iran responded:

*"One must consider that no cost is too high when it comes to honoring and introducing the glorious history of a nation to the world."*

Another journalist from Sweden asked:

*"Could His Imperial Majesty explain the cost of the celebration? We have been told various figures, ranging from 200 million to 2 billion dollars."*

The Shah of Iran replied:

*“Do you really think just two banquets could have cost two billion dollars?”*

In this context, it is important to mention the unstable living conditions and poor livelihood of the Iranian people especially around the time of the celebrations in the early 1970s. In another interview, a Swiss journalist asked the Shah: *“Could His Imperial Majesty explain the cost of these celebrations? We’ve been told various figures ranging from 200 million to 2 billion dollars.”*

The Shah of Iran replied:

*“This question has already been asked of me, and I promised to release the figures later.”* Then, turning to the Swiss journalist, the Shah asked:

*“Do you know the price of a kilo of bread or a kilo of meat in Iran?”*

The journalist replied, *“I don’t know.”*

The Shah of Iran said, *“Then why are you asking me?”*

Ironically, the Shah deflected the question about excessive spending and unnecessary extravagance without addressing the issue directly, instead asking about the prices of bread and meat in Iran—foods that, notably, were not even part of the luxurious meals served during the celebrations. Later, Asadollah Alam was eventually forced, on October 24<sup>th</sup> of the same year, to publish a breakdown of the celebration’s costs, though the figures presented were inaccurate. This extravagant misuse of national funds not only deepened the gap between the elite and the general public, but also intensified public dissatisfaction and economic strain. Without a doubt, both Mohammad Reza Shah and Asadollah Alam lied about the cost of the imperial celebrations. Although no exact statistics exist regarding the total expenses, it is possible to estimate the direct costs excluding electricity, telephone, transportation of materials and equipment, airport expenses, and salaries of the

celebration committee staff as being far higher than the officially claimed figures. In fact, the approximate total of both direct and indirect costs related to the celebration exceeded the combined annual per capita income of 2.5 million ordinary Iranians such as workers, farmers, retirees, and others. In other words, even if these 2.5 million people had saved every bit of their income throughout the entire year without spending a single rial on themselves or their families, they still would not have been able to cover the full cost of the imperial celebrations. To put it into perspective, in the early 1970s, a small city like Qom had a population of around 200,000. These explanations and calculations, which were presented to illustrate the cost of the 2,500-year imperial celebrations, are based on the official statistics and figures of the country at that time. However, if we were to compare the cost of the celebrations to the lived realities and tangible experiences of ordinary people at the time, the expenses would appear even more shocking. To explain further: in year 1971, the monthly wage or income for a large segment of the population was about 200 tomans for a family of five. In other words, most ordinary Iranians were living on roughly 40 tomans per person per month. Considering that several billion tomans were spent on the imperial celebrations, this amount was equivalent to the annual living expenses of approximately 10 million Iranians. In other words, the cost of the celebrations equaled the annual livelihood of nearly one-third of Iran's entire population (which was around 33 million people at the time). Put another way, the annual living expenses of the people in fifty cities, each with a population of 200,000, were spent on holding these imperial festivities. Professor James Beal, professor and director of the International Studies at William College in the U.S., who had traveled to Iran a year before the imperial celebrations, wrote in the preface to his book about poverty in the villages of Fars Province in Iran (the Place for royal celebrations He writes, "I visited Iran in 1970 and witnessed the deadly poverty in

the villages of Fars province. Several times, I saw with my own eyes hungry children eating grass and the roots of bushes from the nearby fields of their village.”

Similarly, Dr. Katouzian, an economics professor at the University of Kent in the UK, visited Shiraz a year after the imperial celebrations and described the heartbreaking scenes in the city’s slums as follows: “The city that hosted the imperial celebrations and the annual arts festival had, aside from its many poor neighborhoods, two large shantytowns that were carefully hidden from the view of visitors. With the help of two guides, I was able to visit one of these areas and even enter one of the huts. The shack was made entirely from scraps of tin old, large oil barrels and had an approximate space of 15 cubic meters. An eight-member family including six children aged from six months to twelve years, and their parents lived inside. The father was a seasonal laborer, and signs of trachoma were visible in the eyes of five of the older children. The hut contained no household furnishings other than some large pieces of cardboard, a few worn-out blankets, and a brazier for heating. It was a very cold winter, with snow on the ground. There were no public bathhouses or toilets in the entire area. The only structure present was a small kiosk belonging to the oil company, which sold paraffin. Interestingly, a banner was hung above it that read: ‘Long live His Highness Reza Pahlavi, our beloved Crown Prince. According to many people from those areas, a major drought had occurred in Iran the year before the imperial celebrations, which claimed the lives of hundreds of people and livestock. As reported by one of the newspapers at the time, the drought of the previous summer, stretching from Fars to Khorasan, led to the death of many people from hunger. People’s crops burned in the fields, all the livestock perished, and herders abandoned their animals in the deserts so they wouldn’t have to witness their painful deaths. In addition, among the dozens of journalists and reporters who had come to Tehran to cover the imperial celebrations,



some visited the southern outskirts of the city and filmed the slums surrounding it. They took these recordings back to their countries. In countries such as Sweden and Denmark, television programs were broadcast that showed, on one hand, the grandeur and magnificence of the imperial celebrations, and on the other hand, the heartbreaking conditions of the Iranian people. These programs featured scenes of people in Baluchistan eating date pits, children playing among garbage piles, and the poor living conditions in southern Tehran all of which reflected the severe poverty and misery experienced by much of the population. The actual cost of the celebrations was never fully or officially disclosed, and the figures cited by regime officials often contradicted one another. For instance, in one interview, Asadollah Alam claimed the total cost of the celebrations was around \$8 million. However, in a separate interview, Farah Diba estimated the cost of modernizing Persepolis alone to be \$200 million (approximately 1.5 billion tomans). Foreign newspapers noted that the amount Farah Diba quoted for the modernization of Persepolis alone was thirteen times higher than the figure Asadollah Alam gave for the entire celebration. They questioned: *Does Asadollah Alam not know that the New York Times sells each of its full-color advertisement pages for \$1 million?* In some issues, ten pages were used for promoting the Shah of Iran. The New York Times alone received at least \$20 million for advertisements promoting the Shah and the imperial celebrations. According to an official document, just the production of a film based on the book *The Eternal King* cost \$250,000. Additionally, the artistic expenses of the Imperial Celebrations Committee in Czechoslovakia alone amounted to \$677,800. When including other associated costs, the total for the Czechoslovak artistic committee reached approximately \$1 million. If this country is considered a representative sample or average, the total cost of 50 artistic committees across 45 countries would amount to roughly \$50 million. At first glance, these figures may not surprise you. But you might be astonished upon learning that several C-130 military planes and

numerous trucks transported all the furnishings for the accommodations of the visiting heads of state from France to Shiraz, and from there, military trucks carried them to Persepolis. One may wonder what all these items and furnishings were needed for. If we also consider the peripheral expenses, the total cost of the Shah's celebration far exceeds what one might expect. For example, the national police requested 15,300,000 tomans to purchase 100 motorcycles and 100 escort uniforms. In addition to that, irrelevant expenses were also covered using the celebration's budget. For instance, a receipt from the Lavin store in France was for the purchase of clothing for Shams Pahlavi's attendants for this occasion. Other costs included the design and tailoring of military uniforms from different eras of Iran's army, as well as the uniforms of hosts and courtiers in France, the cost of purchasing and installing tents and decorations, the renovation of the ruins of Persepolis, the cost of food preparation in France, transportation expenses, catering, and the purchase of various items from France. With all of this in mind, can the estimated \$2 billion cost of the celebration really be considered an exaggeration? Additionally, the claim that \$500 million was paid to Jean Lurçat must be acknowledged, even if it is denied by some. But the estimate of \$300 million given by William Shawcross is certainly plausible. These costs become even more tragic when we realize that in year 1971, Iran's total oil export revenue was only \$1.1 billion.

This means that the cost of the Shah's celebrations exceeded 36% of Iran's oil export revenues. Moreover, it is astonishing to know that at the same time, in Shiraz the central location of the Shah's celebrations—there were numerous impoverished neighborhoods, including two large shantytowns, where the average shelter space was only about 15 cubic meters, and entire families lived in them. It is also shocking that in the capital, numerous makeshift homes were located along the Kan Road (Karaj–Parkway highway), which were considered an eyesore in the view of visiting

dignitaries. As a result, Ansari, the deputy head of the central celebration committee, requested Tehran's then-mayor, Nikpay, to clear these "impurities" from the city's appearance. These descriptions represent just a glimpse of Iran's economic situation in the early 1970s. This state of affairs continued until the mid-decade, when the global price of crude oil began to rise in the Middle East, and with pre-sales of a portion of Iran's oil share, it appeared by 1975 that the Iranian economy was seemingly improving. Inflation didn't seem to be a major issue on the surface. However, during this period, the Shah, his family, ministers, and both civil and military officials continued to engage in financial corruption and theft of national wealth. By the mid-1970s, Iran was considered one of the wealthiest countries in the Middle East. The exchange rate of the US dollar was only 70 rials (until the start of the Islamic Revolution). Nevertheless, throughout the 1970s, the country's budget and state revenues remained completely dependent on oil exports. At that time, tuition at all public universities in Iran was free, and even students attending state universities could have lunch for only 15 rials. Additionally, with the passing of the reforms known as the "Shah and the People" initiative, education in all levels of primary and secondary state schools was also free. Each student, whether from urban or rural areas, received food support from the Ministry of Culture at a value of 12 rials. Of course, this amount was distributed to the primary school students by school principals in the form of food (fruit, dates, milk, etc.) among the primary school students. Accordingly, school principals, headmasters, and supervisors of primary education also benefited. During this period, the monthly wages of workers ranged from about 250 to 500 tomans. The average government employee earned between 1,000 to 1,500 tomans per month, and engineers and doctors earned between 3,000 and 6,000 tomans. Pensioners received less than 1,000 tomans per month. With these income levels, some senior engineers and oil company experts would travel to Europe or America at the end of each year for vacation. A round-trip airline ticket

to the U.S. or Europe cost around 1,000 to 1,500 U.S. dollars, with each dollar valued at 7 tomans. Domestic flights cost approximately 100 tomans. Generally, the cost of living in mid-1970s in Iran was kept relatively stable under Prime Minister Hoveyda's government. Due to the large-scale import of food items and consumer goods, financial and nutritional problems were not significantly felt among the affluent and middle-class employees. Most government employees and those working in private companies were able to own a car brand Paykan, as the price of a Paykan in the early 1970s was around 40,000 tomans. With a bit of saving or through company loans, employees could afford to buy a car brand Paykan. Moreover, most employed or retired staff received monthly rations of free essential food items and basic goods from their respective departments or companies. Overall, it seemed that the majority of Iran's urban population lived in relative comfort from the mid-1970s until 1979. In summary, Iran's economy was heavily dependent on Western markets, and Iranian culture had become increasingly Westernized. In Tehran, numerous cabarets and casinos operated, and in most provincial capitals, cinemas and cultural centers were built in Western style, usually screening Western and foreign films. Even the storylines of some Iranian films were adaptations of foreign ones. It is worth noting that due to the increased political repression during this decade by SAVAK (Iran's intelligence and security organization), there are no precise or statistically documented figures available regarding the rate of inflation, economic growth, or changes in purchasing power during that time.

### **Financial corruption during the second Pahlavi era**

Iran has witnessed many financial corruptions in its contemporary history. Corrupt governments, through financial misconduct, did whatever they wanted to the Iranian people. Financial corruption has always been accompanied by officials or individuals in positions of power amassing great wealth, and many experts and thinkers have emphasized this issue. The corruption and bribery of government officials and members of the royal family strongly conflicted with the values and social practices of the traditional middle and lower classes, leading to severe class divisions. During this period, the Shah's regime continuously claimed to be fighting financial corruption, while it was itself deeply immersed in it. Extravagance, luxury, theft, bribery in short, the corruption of the royal family and high-ranking government officials was seen as the main reason for the existing crisis in the country during the second Pahlavi era. For example, in the years 1974 and 1975, the Iranian people heard from government officials and even the Shah himself that the country's oil revenues had tripled or quadrupled. The question is: what happened to all that wealth and oil income, and where did it go? Since the bribery and financial corruption of most members of the royal family, the Shah himself, and the ruling governments were obvious to everyone, and because by the 1970s the scope of corruption had expanded so much that, one foreign journalist, referring to the anti-corruption campaign in Iran, wrote: "This task seems impossible, because all government officials are involved in some way." The extent of corruption and financial misconduct by those close to the Shah and influential figures in past

governments especially during the rule of the second Pahlavi was so vast and widespread that even foreign researchers could not ignore it. They considered the majority of financial corruption cases to be linked to the Pahlavi family and the royal court.

It is worth noting that the structure of Iran's governmental economy has long been based on the business interests of those in power, and the authoritarian rule of the Qajar and Pahlavi monarchs is considered one of the main reasons for the emergence and growth of economic corruption. The roots of financial corruption in Iran can be traced back to the Qajar dynasty's governmental system. All Qajar kings committed corrupt acts, each revealing a layer of corruption involving their associates. Regarding the financial corruption of Reza Shah Pahlavi, historical records state: "During Reza Shah's reign, financial corruption not only did not decrease, but actually worsened. It even became more widespread due to increased authoritarianism and repression. When Reza Shah came to power in 1925, he neither owned property nor had factories or any significant assets. However, by 1941, his royal estates were estimated to include around 2,000 full-title properties, which had been acquired through corrupt means such as seizure, forced purchase, and plunder. At that time, Reza Shah had become the largest landowner in Iran by confiscating public and private property. It is also recorded that he collected massive tributes, enriching the capitalist class, monopolist merchants, and political elites, while inflation, heavy taxation, exploitation, and financial corruption reduced the standard of living for ordinary people. At that time, high-ranking government jobs and posts were rotated only among a limited group of individuals. Authoritarianism, poverty, discrimination, and economic crises further intensified the spread and severity of financial corruption. The autocratic rule of Mohammad Reza Shah, which increasingly tightened its grip on society, paved the way for financial corruption

among the royal family and their associates. After Mohammad Reza Pahlavi rose to power, financial corruption in Iranian society worsened. During the second Pahlavi era, from the Shah himself to his family, relatives, and members of ruling governments including their kin were all engaged in plundering public assets, bribery, and extortion. To such an extent that the widespread corruption led to internal and external protests, putting the regime's legitimacy into crisis. It was said that during the former monarchy, financial corruption under 100 million tomans of that era was considered acceptable. Since members of the government themselves were corrupt, they were unable to take action against the corruption of officials and those in positions of power and influence. Despite this, during the years when oil was sold at a good price, financial corruption among the regime's favorites increased significantly. And when oil prices fell, the country faced an economic crisis, chronic poverty, rural migration, and countless other financial issues. This was due to flawed policies, massive financial abuses, and unaccounted for plundering and waste of the national wealth. Mohammad Reza Shah Pahlavi, despite personally approving the national budget, made unbelievable withdrawals and extravagances from the public treasury. One of these astonishing expenses was the cost of his illicit relationships, and the most frequent bribes were valuable jewels that were handed over to the Shah with just a signal from the state treasury. Additionally, the purchase of palaces, properties, land, cars, investments abroad, foreign trips, and more — all were paid from public wealth and the national treasury. The Shah himself received bribes in many deals made with American arms companies. These companies, in order to win the favor of the Shah and encourage purchases, paid him large bribes. In just one deal alone, the Shah had received approximately \$3.5 billion in bribes from American arms manufacturers. Nonetheless, the Shah repeatedly claimed to be fighting corruption and emphasized the need to eradicate bribery and financial misconduct in Iran. He even included anti-corruption efforts in Article 19 of the so-

called “White Revolution” law. The Shah’s indulgences, the arrangement of lavish parties, and the way the imperial celebrations were held all revealed the falsehood of his anti-corruption claims. He even spent vast amounts of money on the U.S. presidential campaign to gain favor and future support all of which were paid from Iran’s public budget and national treasury. In the Pahlavi II dynasty, bribery, seizure of public properties, drug trafficking, gambling, and debauchery were just some of the characteristics of the corrupt royal family. According to a Western intelligence source, in the last few years of the Pahlavi II regime, enormous sums amounting to over two billion dollars from oil revenues were directly transferred into bank accounts held by royal family members abroad. These financial transfers were never recorded in the country’s treasury ledgers. The Shah’s family increased their wealth through the looting and swallowing of national resources, confiscation of landlords’ lands, and the destruction of economic and social forces. They even transferred their revenues in Iranian rials to accounts abroad. According to historical documentation, in the early 1970s, the Pahlavi II family was the wealthiest profiteering family in Iran. Each member had shares and partnerships in machinery factories, automobile manufacturing plants, construction and building companies, mining corporations, and textile factories. Most of the family’s assets were managed by the “Pahlavi Foundation,” which was established in 1958 under the guise of overseeing charitable and humanitarian affairs. By the late 1970s, the assets of the Pahlavi Foundation were estimated at approximately \$2.8 billion, invested in real estate, commerce, banking, and automobile manufacturing. The Shah’s personal share in this foundation was about \$135 million. The royal family was deeply mired in corruption. For the imperial celebrations alone, the estimated cost was around \$300 million. The royal family had invested 5% of the country’s total fixed capital (as stated in the Fifth Development Plan) as part of the domestic private sector. Additionally, the Pahlavi Foundation received annual subsidies of over \$40 million.



In 1977, it held shares in 207 companies, including 8 mining companies, 1 cement factory, 17 banks and insurance firms, 23 hotels, 25 metal factories, 25 agricultural and industrial units, and 45 construction companies. Furthermore, the extravagant parties, celebrations, and costly gatherings held by members of the royal family and their affiliates were conducted at their whim, with all the expenses covered by the national budget and public treasury. For example, the 2,500-year celebration of the Persian Empire was held with extreme extravagance, and its costs were entirely paid from the national treasury. This was not the only issue of the era members of the royal family, who had amassed immense wealth through various forms of financial corruption, also descended into moral corruption. Gambling, debauchery, and drug trafficking were common among them. (Fardoust wrote about Ashraf Pahlavi, the sister of Mohammad Reza Shah, stating: Gambling, drug trafficking and debauchery accompanied by financial abuse were part of her daily life.”) The royal court’s involvement in drug-related matters was not limited to Ashraf Pahlavi; rather, each member had a share in it in some form. Even governments in power and certain influential figures were involved in these activities. The financial corruption of ministers and all members of the successive governments during the Pahlavi II era was notorious and widely recognized. Every new government that came to power committed more corrupt acts than the one before it. Interestingly, each new administration began its tenure with the declared intention to combat corruption. However, they had all lived with, coexisted with, and made peace with corruption and its enablers. One such example occurred during the tenure of Golsorkhi, the then Minister of Natural Resources. He made an agreement with a well-known businessman named Ahanchian: whenever they found valuable land or property, they would declare it as national (public) land belonging to the Ministry of Natural Resources, strip the rightful owner of its title, then buy it at a low price. Later, they would remove the national status from the property and sell it at a much higher price,

splitting the profits between themselves. Such practices were widespread during the Pahlavi II era. The extravagant and ostentatious spending by the Pahlavi family and their affiliates, along with repeated financial scandals that often shook the monarchy, constantly reminded the people who were unaware of the true financial data of the country of the vast inequality they were living under. Just in the years 1974 and 1975, the Commander of the Navy was found guilty of embezzling \$3.7 million, and the Commander of the Air Force was also implicated in a \$5 million embezzlement case. Financial corruption, theft, embezzlement, and bribery were widespread in the armed forces, and the outflow of foreign currency from the country by organizations such as the Pahlavi Foundation, the National Iranian Oil Company, and similar embezzlement cases in Iran Air had reached significant proportions. Even conservative estimates indicate that the amount embezzled between 1972 and 1975 exceeded one billion dollars. As a result, we see that a large portion of the oil price increases during the 1970s ended up in the pockets of the Shah, his family, the ruling elite, and their relatives. Those who had studied at the best domestic and international universities, lived in the finest homes, drove luxury cars, and wore the most expensive clothes, showed no mercy toward the deprived nation's wealth. They transferred the foreign currency earned from national oil exports out of the country and accumulated in foreign banks. This group either spent their vast wealth abroad on extravagant lifestyles or used it as a financial source to support groups like the Hypocrites in their acts of sabotage against the country.

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## **Part Two – Economic Developments After the Islamic Revolution**

### **Chapter 2**

#### **Economic recession during the imposed war**

At this time period, the Iran-Iraq imposed war was still ongoing, and due to the U.S. economic sanctions against Iran, it was not possible to increase oil production for export. Only the import of essential food items and necessary medicines was permitted. No licenses were issued for importing luxury goods, household appliances, or consumer goods. Under these circumstances, it seemed that economically, inflation was not strongly felt during this period. The exchange rate for the U.S. dollar was about 70 to 100 tomans (700 -1000 Rials), and the price of gasoline was around 10 tomans (100 Rials) per liter. During the winters of this period, people used oil fuel to heat their homes. From the early days of the war, Iran had established a rationing system to supply people's basic needs through government efforts. At the beginning of each year, the Ministry of Commerce would print ration booklets according to the number of family members, and these were distributed through local agents across all cities and villages of Iran to the entire population. At the same time, essential goods such as oil and gasoline were also distributed by the government through a rationing system. Due to shortages of Basic food items like meat, rice, oil, sugar, and tea, the Ministry of Commerce imported these goods mainly from other countries and distributed them to Iranian families through the provincial and city governments and authorized local agents for a small fee. During this period, some local agents distributing food supplies occasionally

engaged in fraud. They would hoard surplus rationed goods, hiding them in order to sell them freely at higher prices. Through this method, many sellers and distributors of food products accumulated considerable wealth.

### **Economic policy after the imposed war**

After the dismantling of political parties and the disruption of opposition groups in 1983, and with the escape of the Mojahedin-e Khalq Organization (MKO) members to abroad, the presidential elections were held again in 1984. Ayatollah Seyyed Ali Khamenei took over the presidency, while Ayatollah Hashemi Rafsanjani was the chairman of the Islamic Consultative Assembly. (Parliament). Meanwhile, the Iran-Iraq imposed war continued fiercely on the western and southern fronts of Iran. Economically, the country faced significant stagnation in industrial production and food supply. After the Islamic Revolution, most private manufacturing and industrial factories had been confiscated by the Islamic Revolutionary Council and handed over to the Foundation of the Oppressed (Bonyad Mostazafan). This situation arose because the owners of most large and medium-sized production and industrial companies had emigrated abroad, and the managers of these private companies were replaced by government-appointed managers. As a result, production levels and the availability of goods were very limited at the time. Only some key industries, such as cement production companies (for use in the war fronts) and certain power plants and refineries (for meeting the public's electricity and fuel needs), were operating, and even only at limited capacities. From the end of 1984 and throughout the remainder of that decade (up to 1989), fuel shortages and frequent power outages were persistent problems across the country. Moreover, most of wealthy individuals, and owners of major industries who generally held non-religious beliefs seeing the wartime conditions, the unstable situation, and the severe decline in production that made economic activity impossible, had either already emigrated from most cities

in Iran or were in the process of doing so. During the 1980s, Iran went through a politically, economically, and culturally turbulent period. The country endured relentless hardships, including occasional bombings of its cities, and faced a closed economy where no private sector activities, such as the import and export of goods, were possible. Only the Ministry of Commerce and the Agricultural Jihad Organization were authorized to import limited quantities of essential food items and necessities, which were distributed through state-run distribution centers. Citizens could only obtain their basic food needs by presenting ration coupons issued by the Ministry of Commerce to local authorized agents. (It is worth noting that often the imported food products were of poor quality.)

It Is Important to understand that the dimensions of Iran's economy before the Islamic Revolution were heavily dependent on the single-product export of crude oil. The economic structure was based on the unrestrained sale of oil within the framework of Western development models, without taking into account the historical, cultural, and social context of the country. As a result of implementing such a policy, instead of focusing on infrastructure projects, development activities, and the promotion of non-oil production and exports, the country's capital was largely spent on non-essential and unproductive programs. Despite the numerous economic problems inherited from the pre-revolution era, along with the major economic challenges caused by the imposed war (Iran-Iraq war), sabotage, and economic sanctions, After the end of the imposed war, the government was able to produce most of the goods needed by the country domestically and even export some of them abroad. It is also necessary to review the advancements in scientific and technical fields. One of the effective efforts after the Islamic Revolution was the continuous development of heavy industries and foundational infrastructure projects. The growing development in the defense, oil, petrochemical, iron smelting,

steel, and electricity production industries as well as the construction of large dams and the expansion or modernization of the country's roads played an important role in the growth and prosperity of other sectors of Iran's economy during this period. It is worth mentioning that at the beginning of Mr. Hashemi Rafsanjani's presidency in 1989, Iran-U.S. relations were discussed within the framework of his broader strategic approach. According to this strategy as Mr. Rafsanjani emphasized at the time Iran's foreign and economic policy was not based on creating enemies. In practice, it was observed that foreign investment in Iran increased. However, Iran-U.S. relations remained cold during Mr. Rafsanjani's presidency, mainly due to the earlier hostage crisis at the U.S. embassy and American financial support to Iraq during the Iran-Iraq war. Rafsanjani's foreign policy towards the United States was aimed at reducing the risks stemming from hostile relations by improving Iran's commercial ties with the West. As part of this approach, Iran signed profitable oil contracts with American companies. By 1994, the United States had become the fifth-largest exporter of goods to Iran, and American oil companies had become the third-largest importers and buyers of Iranian crude oil. However, this dual behavior by the United States which had led to America's successful rise as a major exporter of goods to Iran provoked protests from European leaders. These European objections pressured then-U.S. President Bill Clinton, who in the spring of 1995 officially abandoned this previous policy and instead adopted a strategy of comprehensive trade sanctions against Iran, emphasizing the necessity of full economic and commercial embargoes on Iran. From 1989 to 1997, which corresponds to the first and second presidential terms of Mr. Hashemi Rafsanjani, Iran was politically in a state of peace with Iraq. During this period, Iran maintained generally good political and economic relations with most European and Asian countries, except for the United States and Israel. During this time, the supply of basic goods and essential food items for the public was still partly managed through

the government-run rationing system, while people also purchased part of their essential needs from the free market. In the early 1990s, a major internal political shift took place in the former Soviet Union, resulting in its collapse in 1991. This breakup led to the emergence of independent countries along the Caspian Sea and in Eastern Europe, such as Azerbaijan, Turkmenistan, Kyrgyzstan, Uzbekistan, Ukraine, Belarus, and others. This period marked the beginning of Iran's commercial and economic relations with these newly independent states and Russia. During this time, the National Iranian Gas Company undertook the responsibility of expanding urban residential gas pipeline networks across Iranian cities, and was able to provide gas coverage to most large and small cities throughout the provinces. Additionally, Iran established open economic and trade relations with countries such as China, South Korea, and Japan to procure equipment needed for major industries under construction including oil, gas, petrochemical, power generation, cement, and steel industries. Many consumer goods, raw materials for some industries, and household appliances from East and Southeast Asian countries such as India, Malaysia, Indonesia, and China also flowed into Iran. On the cultural and social side, for public entertainment, many Chinese, Korean, and Japanese movies and TV series were purchased by Iran's national broadcasting organization (IRIB), and throughout the 1990s and 2000s, these programs helped meet the entertainment needs of the Iranian population. In addition, most Iranian filmmakers also began producing films depicting the realities of the eight-year Iran-Iraq war, as well as movies illustrating the dire conditions of Iranian prisoners in Iraqi camps, which were then publicly screened. During this period, due to the very friendly relations between Iran and Japan, Japanese visas were briefly made easily available to Iranians. As a result, a number of Iranians traveled to Japan for simple labor and work opportunities. However, after some Iranian residents in Japan engaged in illegal activities, the Japanese government, by the late 1990s, tightened entry conditions and imposed visa

restrictions on Iranians. Another important national project was the construction of the Bushehr nuclear power plant, along with uranium enrichment projects in Isfahan and heavy water production facilities in Arak. These initiatives began with the collaboration of a Russian company and various Iranian firms and were ongoing until the end of the 1990s, eventually reaching completion in the early 2000s.

At the 20<sup>th</sup> of May 1997, Mr. Rafsanjani's presidency came to an end. On May 23, 1997, the seventh presidential election was held, in which Mr. Mohammad Khatami was elected as president. During his first four-year term of presidency, Mr. Khatami continued the development and operation of oil, gas, petrochemical, gas power plants, combined cycle power plants, defense industries, steel industries, and other light and heavy industries. He also quietly continued the construction of the Bushehr nuclear power plant and uranium enrichment projects. Throughout the 1990s, with the revival of import and export activities, the exchange rate of the U.S. dollar rose from around 300 tomans (3000 Rials) at the beginning of the decade to about 500 tomans (5000 Rials) by the end of the decade. Additionally, the tourism and foreign travel industries started to become active and continued their growth until the late 1990s.



### **Iran's economic situation in the 1990s**

The year 1998 was undoubtedly a year of economic crisis for the Iranian government and people. Various sectors of the economy, already burdened by issues inherited from the previous administration, faced intensified hardship due to political tensions, uncertainty in planning, and fluctuating oil prices. The immediate result of these circumstances was a sharp rise in the cost of living. The government officials began the new year amidst an economic crisis, but they largely ignored the warning signs and the growing pressure this situation placed on ordinary people. One of the major political crises that shook the country during those weeks was the arrest of the Mayor of Tehran. Allegations of sudden, illicit wealth served as a pretext for a broad political and societal conflict. The judiciary pursued this issue aggressively, claiming extensive financial corruption within the municipality. Meanwhile, within President Khatami's political camp, various newspapers, students, and different social groups, each with different motivations, leaned towards greater transparency and the strengthening of democracy under the slogan "Khatami, expose the corruption! However, President Khatami preferred dialogue and negotiation to reach a reasonable solution to the financial corruption crisis, but his efforts were largely ineffective.

In March 1999, U.S. President Bill Clinton, in a speech at the White House, acknowledged Iran's grievances by stating:

*"The Iranians have a right to be angry at what my country and culture did to their country about 100 or 150 years ago."*

Following this and other conciliatory remarks by Clinton and Secretary of State Madeleine Albright, the U.S. government eased certain economic sanctions against Iran and authorized the sale of essential foodstuffs, medical supplies, and medicines to Iran. At the end of March 1999, the spokesperson for the U.S. State Department officially announced that the U.S. government was ready to establish a consulate in Tehran to facilitate the visa issuance process for Iranians and called for cooperation from the Iranian government. However, Iran did not respond positively to any of the U.S. steps aimed at dismantling the wall of distrust. Moreover, the arrest and trial of several Jewish individuals in Shiraz once again led to a political and economic crisis in Iran's relations with the West. Between years 2001–2005, which corresponded to President Mohammad Khatami's second term, Iran maintained relative political stability thanks to its moderate policies and the fostering of economic relations with European countries. During this period, Iran's economy somewhat prospered based on the volume of imports and exports, and inflation growth was very subtle. Industrial progress, particularly in oil, petrochemical, and power plant projects, continued. Even the Bushehr nuclear power plant construction and the uranium enrichment centrifuge project in Isfahan advanced quietly without causing political controversy. However, with the rise of Mahmoud Ahmadinejad as the President in the Ninth Administration, Iran's economic situation deteriorated. Ahmadinejad, a hardline fundamentalist with extreme political and Islamic views, had previously been one of the students involved in the November 4, 1979, U.S. Embassy takeover during the Islamic Revolution. After the Iran-Iraq War, he served as the governor of Ardabil Province and was later appointed mayor of Tehran during Khatami's second term of Presidency. During his time as mayor, he did little to contribute to the development and urbanization of Tehran. Ahmadinejad as president, mainly focused on costly provincial trips, traveling not only to provincial capitals but also to smaller towns and villages in an effort to promote himself. He often made exaggerated and

false promises to the people, raising their hopes without delivering tangible results. It has been reported that during the year 2005 presidential election, Ahmadinejad secured a larger number of votes across Iran's rural areas and small towns partly by distributing potatoes to the public.

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## **Chapter 3**

### **Economic plans of the 9<sup>th</sup> and 10<sup>th</sup> governments**

Between the years 2005 to 2009, during the first term of the ninth government in Iran, the country became the largest importer of most industrial products, equipment, and consumer goods from countries like China, India, Malaysia, and South Korea. Even in the light industries sector, most factories imported and sourced their raw materials from China, India, and Malaysia. During this period, the exchange rate of the US dollar in Iran reached around 800 tomans. (8000 rials).

At the beginning of the ninth government's term, Ahmadinejad completely dissolved the country's Planning and Budget Organization and instead established the Vice Presidency for Strategic Planning and Supervision, which was responsible solely for determining the annual national budget and passing economic resolutions. The president had full authority over the production of budget statistics and economic data generated by this organization. In year 2009, Ahmadinejad won the presidential election for a second term. However, he regained control of the tenth government by using deceit and making vague, hollow promises to the Iranian people. Reformist candidates like Engineer Mir-Hossein Mousavi and Ayatollah Karroubi opposed the election results, leading to domestic unrest. Supporters of the reformist movement, especially young people, took to the streets to protest the vote counting process and sparked riots. They were met with crackdowns by anti-riot forces, resulting in several people being killed or imprisoned. Additionally, many reformist journalists and reporters were arrested and jailed.

In the economic sector during the first term of the ninth government, then-President Ahmadinejad initially dissolved the long-standing Management and Planning Organization of the country. This organization had, for many years, been responsible for supervising the government's budget, planning, and preparing the components of the national annual budget. It also oversaw government revenues and expenditures, both during the monarchy and in the post-revolutionary eras, including the wartime (Holy Defense), reconstruction, and reformist governments. In its place, the ninth government established an institution called the Vice Presidency for Strategic Planning and Supervision. The main function of this new body was to prepare guidelines and procedures for selecting personnel, determining consultancy service fees for technical advisors, and formally drafting annual budget items based on figures dictated by the president. However, it had no real oversight over the government's actual revenues especially oil revenues and it was not allowed to transparently disclose the government's spending figures. As a result, the president had full authority over all the organization's operations. As a result, in practice, there was not only no mandatory oversight over the expenditures of government organizations and ministries, but also any organization whether private or public any ministry, company, or even public and private banks could generate income or spend money in any manner they wished, whether legal or illegal. They could even evade taxes through bribery and rent-seeking. Thus, during this period, the country's tax revenues both direct and indirect played a much smaller role in the overall income. Instead, most of the government's revenue came from taxes on salaries of employees, workers, and small business owners. Meanwhile, large governmental and non-governmental institutions were mostly exempt from paying direct or indirect taxes. During the ninth and tenth governments, as economic sanctions increased, financial and economic corruption also grew. (According to documented statistics from the Management and Planning Organization, which was revived in

the fall of 2014 after being inactive for nine years through the efforts of the eleventh government's administration and its officials.) Despite achieving extraordinary revenues during the ninth and tenth governments, the country not only failed to reach full industrial, agricultural, or infrastructural development, but much of these revenues were squandered. As a result, many industrial and construction projects whether economically justified or not remained incomplete. More importantly, despite this level of income, the country experienced a negative 5% economic growth rate and an inflation rate of over 40% in 2013. At the late of March 2015, the head of the Management and Planning Organization in the eleventh government announced that approximately \$700 billion of the country's total assets had been consumed and squandered over the course of about six years. However, with such a level of cash income, the result should not have been negative economic growth. The massive revenues that, Iran earned between years 2005 and 2013 (early 2011s) are a reality confirmed by official sources such as the Ministry of Oil and the Central Bank. Yet, as the Management and Planning Organization noted, it is difficult to explain how a government with such unprecedented revenues in Iran's history ended up handing over to the eleventh government a legacy of extensive debts, half-finished or abandoned infrastructure and industrial projects, inflation of over 40%, and a negative 5% economic growth rate. According to statistics published by official institutions in various years, the Ahmadinejad government (2005–2012) earned a total of \$864 billion from sources such as direct and indirect taxes, participation bonds, crude oil exports, and privatization. The total oil revenues of the ninth and tenth governments during the years 2005 to 2012 reached \$578 billion, which was \$145 billion more than the total revenues of the country during the years 1981 to 2004. Looking more closely, in 2005, the ninth government earned approximately \$53.82 billion from crude oil sales, with the price of Middle Eastern oil at \$51.94 per barrel. In 2006, with oil priced at \$58.57 per barrel, the country's

revenue reached \$62.01 billion. In 2007, with oil sold at \$76.48 per barrel, the government earned \$81.60 billion. In 2008, it generated \$81.90 billion in revenue by selling oil at \$79.82 per barrel. In 2009, oil was sold at \$69.01 per barrel, bringing in \$62 billion. Then in 2010, as global oil prices surged again, oil was sold at \$83.33 per barrel, earning the Ahmadinejad government \$74 billion in revenue. During this period, the tenth government of Iran even provided financial aid to several countries.

The chart below shows Iran's financial assistance to other countries during the Ahmadinejad administration.

The table below shows Iran's financial assistance to other countries during the Ahmadinejad administration.

Name of recipient country	Amount of assistance	Description
Pakistan	\$330 million	At the International Pakistan Conference held in Japan, Iran pledged to help Pakistan.
Iraq	Budget to build a 220-bed specialized hospital, 17 schools, and a 250-megawatt power plant	This news was announced by Hossein Kazemi, the Ambassador of the Islamic Republic of Iran in Iraq. (April 13, 2009)
Sri Lanka	\$65 million low-interest loan	This news was announced by the Ambassador of the Islamic Republic of Iran in Sri Lanka. (July 26, 2008)

Sri Lanka	\$1.5 billion loan with a repayment period of 10 years	According to the Presidential Information Center (November 29, 2007)
Bolivia	Funding to build two public clinics	This news was announced by Hojatollah Soltani, Iran's chargé d'affaires in Bolivia. (October 11, 2008)
Saint Vincent	\$7 million in aid to build an airport	Announced by the Associated Press (September 20, 2008)
Nicaragua	\$350 million in aid to build a port	Announced by Reuters (July 4, 2008)



### **The trend of increasing prices of energy carriers and related factors in the ninth and tenth governments:**

Since the winter of year 2011, when the price of government-subsidized gasoline increased from 100 tomans (1000 rials) per liter to 400 tomans (4000 rials), and the price of unsubsidized gasoline for personal vehicles was set by the government at 700 tomans (7000 rials) per liter, it was clear that the increase in energy carriers had significant effects on the prices of all products, especially food items. With the decision and announcement of the tenth government to pay monthly cash subsidies to all segments of the population, the economic situation shifted slightly. At that time, the tenth government undertook the major expense of equipping the fuel distribution system for gasoline with electronic cards, which also enabled fuel rationing. At the start of this plan, each private vehicle was allocated 100 liters of subsidized gasoline per month on these electronic cards, but later, in 2012, this monthly personal gasoline quota was reduced to 60 liters. This plan aimed to reduce gasoline consumption in the country and had also been approved by the parliament at the time. In any case, following the parliament's approval, starting from December 2010, a monthly cash subsidy of 45,500 tomans (455,000 rials) per person was set by the government to be paid to the general public. However, some government and parliamentary officials, as well as a few wealthy and financially secure individuals, chose to forgo receiving this cash subsidy. Ultimately, the payment of this fixed amount to every Iranian each month proved to be a completely flawed system. Later, according to research and investigation conducted by Dr. Tavakoli, one of the experts of the Economic Committee of the Parliament, it was revealed that the increase in gasoline prices and other fuel and energy carriers, along with the government's distribution of subsidies to the public, caused three times the amount

of the subsidies to be taken out of the people's pockets and transferred to the government's financial resources. At the same time, the consumption rates of other fuels such as water, electricity, and gas also increased proportionally and progressively. From March 2011, the official exchange rate of the U.S. dollar set by the Central Bank of Iran began to rise and reached around 1,000 tomans (10,000 rials). Then, in the April 2011, the official exchange rate increased again, and with the approval of the parliament, the government set the official rate of each U.S. dollar at 1,226 tomans (12,260 rials). With this decision and the rise in imports during the 2011s, the prices of all essential goods and commodities whether domestic or imported increased, often under the pretext of economic sanctions against Iran. By the year 2012, key foreign currencies (USD, Euro, GBP) became dual-rate in Iran. For example, the official exchange rate of the U.S. dollar in March 2012 was 1,226 tomans (12,260 rials), while in the open market (currency exchanges), it was being traded at around 1,500 to 1,600 tomans (15,000 -16000 rials). During this period, travel currency allowances were also restricted. Each person was allowed to carry a maximum of 5,000 U.S. dollars when leaving the country. Travelers with tourist visas could only obtain a small amount of currency from Bank Melli and Bank Mellat by presenting their visa and passport. The rest of the foreign currency needed for international tourism had to be purchased from the open market (currency exchanges). Moreover, The Central Bank also announced that the amount of government currency sales for each tourist traveler with a passport, visa, and ticket to countries in Far East Asia and Europe would be \$1,500, for Arab and neighboring countries, around 300 to 400 us dollars; and for religious pilgrimage trips to Syria, Iraq, and Saudi Arabia, a maximum of us 300 dollars. People had to cover the rest of their currency needs from the open market.

In September of 2011, due to growing economic inflation, the exchange rate in the open market continued to rise and reached 2,300 tomans (23000 rials). This significantly contributed to the increase in the prices of all goods and manufactured products, especially essential commodities. During this period, the exchange rates of foreign currencies and the price of gold coins kept rising daily. In response, the tenth government decided to set an “exchange currency” (interbank rate) for domestic producers to obtain raw materials, and also for importers and exporters. The Central Bank of Iran set and announced that, the exchange rate at 2,478 tomans (24,780 rials), and it was implemented. However, due to the creation of a bubble in the open market for both currency and gold coins during the winter of the same year, the exchange rate of the U.S. dollar soared to between 3,800 – 4,000 tomans (38,000-40,000 rials), and the price of a gold coin reached 1,550 tomans (15,500 rials). But from March 2013, with the decline in demand in the open market, the exchange rate of the dollar and the price of gold coins slightly dropped. It’s worth noting that, the increase in exchange and gold coin prices was largely driven by local speculators for personal gain. Also, in the same winter, the tenth government, to provide and compensating for the budget deficit of 2012, began supplying U.S. dollars at the open market rate through currency exchanges. This was done to generate rial income from foreign currency sales to cover the budget shortfall. At the same time, the government also temporarily decided to pre-sell gold coins at the government rate, which in turn contributed further to the price increase of gold coins. In proportion to the increase in the rates of water, electricity, and gas consumed by the Ministry of Petroleum and Energy, in an incremental manner, then telephone and mobile communication charges also began to increase the rate, started in 2012, as determined by telecommunications and mobile phone companies. According to official reports from the customer service departments of water and electricity companies, only one-third of their financial resources were generated through

consumption charges. Nevertheless, to cover the 2012 budget deficit and continue monthly cash subsidy payments to the people, the tenth government relied on the budgets of Ministry of Oil and the Ministry of Energy for two consecutive years. As a result, from year 2011, most of oil, infrastructure, and power plant projects across many provinces faced severe financial crises, and many power plant projects moved toward shutdown. Eventually, the Central Bank announced that, to cover the shortfall in cash subsidy funding, money was being withdrawn illegally and in violation of economic principles overnight and by presidential order from the budgets of the Ministry of Oil and the Ministry of Energy. During the second term of the tenth government, and according to reports from government newspapers, around 900 unfeasible projects were approved without any financial backing. One of such projects was the proposed transfer of water from the Caspian Sea through the provinces of Mazandaran, South Khorasan, and Sistan and Baluchestan to the Persian Gulf. Another project was the construction of Tehran's first tram line, which was planned to run from Sadeghieh Square to Mehrabad Airport. This project faced strong criticism from members of parliament. Another controversial initiative of Ahmadinejad's government, which was implemented despite heavy opposition, was the "Mehr Housing Project." This involved constructing low-quality apartment blocks using cheap and substandard building materials. These buildings were located several kilometers outside of both large and small cities and were intended for low-income individuals. During this period, due to budget shortages at the Ministry of Energy, officials were forced to transfer some ongoing or completed power plant projects to private companies. Some of the under-construction power plant projects in various towns were handed over to MAPNA Group, a company heavily indebted to Tavanir (Iran's Power Generation, Transmission and Distribution Company) for the execution of these projects. These included the combined cycle power plants in Shirvan, Khorramabad, and Jahrom. Additionally, the Ministry of Energy approved

the construction of private power plants in a block format consisting of two gas units and one steam unit, to be carried out by private companies. Examples of such block power plants included one in Yazd, developed by the company Farab, another by MAPNA Investment Company; and the Chador Malu Power Plant in Ardakan, Yazd Province, commissioned by the Chador Malu Mining Company. Another example was the Sabzevar block power plant project, which employer was the police force, but due to budget shortages, the contract had been suspended.

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### **Economic situation in the eleventh and twelfth governments**

From early-August 2013, when Dr. Rouhani took over the reins of the country's affairs as the 11th government., he initially focused on reforming foreign and economic policies. As previously mentioned, his first efforts were directed toward resolving Iran's nuclear issues and suspending or lifting some of the economic sanctions. He collaborated with the nuclear negotiation team led by the Minister of Foreign Affairs. Through several rounds of negotiations with the P5+1 group, general agreements were reached on key points. Subsequently, part of Iran's frozen oil revenues held in foreign banks was released. In 2013, an initial amount of \$4.2 billion was released in eight installments and gradually deposited into the Central Bank of Iran. Additionally, some economic sanctions were lifted or suspended. Notable examples include the easing of currency transaction restrictions for two banks (Post Bank and Bank of Saderat), and the lifting or suspension of sanctions on Iran's shipping companies, oil and gas condensate exports, and petrochemical product exports. Furthermore, in autumn 2014, during the president's 100-days report, plans were outlined to pull the country out of economic recession and to reduce the inflation rate. As a result of efforts by the Minister of Economic Affairs and Finance and based on statistics from the Central Bank, by the end of 2013, the inflation rate which had been about 40% in September 2013 had decreased to 35% by the fall of that year. During this time, the exchange rate of the U.S dollar fluctuated slightly, ranging between 32,000 to 35,500 Rials. The price of gold and gold coins in the market was also unstable but showed a downward trend. For example, the full gold coin was being traded at around 9,500,000 Rials. However, the prices of food items remained high. as nuclear negotiations between Iran and the P5+1 continued in the summer of 2014, no final agreement was reached, and a

decision was made to postpone the conclusion to November 24, 2014. It was agreed that another portion of Iran's blocked oil revenue amounting to \$2.8 billion would be released in six installments and deposited into the Central Bank of Iran. At the same time, based on Central Bank statistics, the inflation rate had dropped to around 18%. Due to the extension of the nuclear negotiations, by the end of the first week of Azar (late November 2014), the gold coin price had dropped to 9,360,000 Rials, and the global price of gold stood at \$1,198 per ounce. According to economic reports the Free market exchange rate of the U.S dollar in Tehran was 32,900 Rials, while the official rate was around 26,810 Rials. According to parliamentary economic report, the national budget of year 2015 was expected to be approved based on a dollar rate of 28,500 Rials. Additionally, due to a drop in oil prices in the Middle East falling from \$80 to below \$72 per barrel, and amid reduced oil production it was likely that the year 2015 budget would be revised and approved based on an oil price of \$65 per barrel. Nevertheless, economists predicted that in the winter of 2015, the sale price of Middle Eastern oil would continue to decline, and this downward trend in oil prices had a significant impact on the fluctuations in the dollar exchange rate and gold coin transactions in the country. After the Nowruz (Iranian New Year) holidays of 2015 and the official announcement from the Iranian negotiating team about a framework agreement reached during the Lausanne negotiations in Switzerland with the West and the European Union, the price of gold coins and foreign currency which had been fluctuating at around 9,580,000 Rials and 33,300 Rials respectively at the beginning of the new year initially saw a notable decline in Tehran's market. However, by the late April 2015, the trend reversed: the full gold coin price rose by 105,000 Rials to reach 9,685,000 Rials, and the U.S dollar rate rose by 380 Rials, selling for 33,680 Rials. Regarding livelihoods, salaried employees particularly those in the private sector had faced progressive income tax rates exceeding the tax exemption limit since autumn of 2013, as implemented under

the previous (tenth) government. These rates were calculated progressively between 10% and 35% of monthly salaries. However, from that point onward, income tax rates for private-sector employees were aligned with those of public-sector employees, so only a flat 10% tax on income exceeding the exemption limit was applied. Moreover, in 2014, the income tax deducted from all salaried employees whether from government or non-government companies for income above the tax exemption amount set by the government delegation was uniformly calculated at 10%. Rate, also in the same year, the government board approved the tax exemption limit for all salary earners in government and non-government companies, which was ten million Rials per month, to 11,500,000 Rials, in other words, a 15% increase. In the major industrial sectors of the country in the early 2011s, according to a report issued in the winter of 2015 by the Organization for Planning and Budget, the tenth government (under President Ahmadinejad) earned \$113 billion in national revenue in year 2011 from crude oil sales at a rate of \$107 per barrel. In year 2012, which marked the beginning of economic sanctions, crude oil sales at the same rate of \$107 per barrel generated \$50 billion in revenue for the government. Furthermore, between years 2005 and 2012, the total revenue generated by the government from privatization through the sale of state-owned companies amounted to approximately \$107.8 billion. In the same period, government revenue from taxation during the ninth and tenth administrations was estimated at about \$149.3 billion. Additionally, revenue from the sale of participation bonds during this period amounted to \$28.1 billion. Critics of the ninth and tenth governments refer to these figures as “legendary revenues” (or “mythical revenues”), especially when compared to the revenues of the eleventh government. It is important to note that during the three administrations preceding Ahmadinejad namely the governments of the Iran–Iraq war (Defensive), Reconstruction, and Reform periods there was no income derived from the sale of state-owned companies or privatization, because the implementation of Article 44



of the Constitution (pertaining to privatization) only began after year 2005. Thus, the ninth and tenth administrations were the only ones to benefit from these so-called legendary revenues. The spokesperson for the eleventh government (under President Rouhani) announced that the country experienced a cumulative negative economic growth of 9% over the years 2012 and 2013. However, in the first half of 2014, country saw a positive economic growth rate of 4% compared to 2013. From the autumn of 2013, the eleventh government began implementing economic reforms, launching plans to curb inflation and stimulate economic recovery. As a result, and due to the receipt of around \$7 billion in previously blocked foreign exchange revenues from designated foreign banks (related to crude oil exports), the inflation rate gradually declined to 20% by the March of 2014. With the efforts of the eleventh government officials, inflation dropped further to approximately 17% by the late December 2014, according to reports from the Central Bank of Iran. Based on these figures, the Islamic Consultative Assembly (Iran's parliament) projected a 17% salary increase for all government employees and wage earners in the 2015 budget. Meanwhile, in spring 2014, the exchange rate of the U.S dollar on the free market fluctuated between 30,000 and 34,000 Rials. At the same time, the official exchange rate (used by traders, importers, and exporters) gradually rose from 24,780 Rials in 2013 to 26,500 Rials. For the year 2015 national budget, this official rate was increased to 28,500 Rials, which became the government's benchmark for the sale of crude oil. Given the state of political negotiations and rising hopes for a nuclear agreement between Iran and the P5+1 representatives in Geneva, as well as the fluctuations in the global gold ounce price, and due to increased domestic demand for foreign currency in Iran, the exchange rate of the U.S dollar began to rise gradually from late December 2014 until early March 2015, reaching 35,800 Rials. Considering the state of the international oil market and the gradual decline in global crude oil prices, it became clear that from spring to late autumn 2014, the price of

oil would drop by half (from around \$112 per barrel in spring 2014 to about \$60 per barrel by late autumn 2014). Experts interpreted this decline in Middle Eastern oil prices in various ways:

- One theory viewed it as a joint conspiracy between the United States and Saudi Arabia against Iran and Russia.
- Another theory saw it as a conspiracy by Saudi Arabia and the Gulf sheikhdoms against Iran, the United States, and Russia.
- A third perspective framed it as an anti-OPEC strategy.

This third group considered OPEC to be a cohesive international organization of crude oil producers that controls about 40% of the world's oil output. They interpreted the drop in oil prices as a clever policy by OPEC to counter the production of shale oil (from oil-bearing rocks and sands) in the U.S, the world's largest oil producer. Of course, this group did not pay any attention to OPEC's lack of internal cohesion, but each of the aforementioned theories expressed a part of the truth.

As a result, the oil market was left to its own devices, and during this period, all oil stakeholders from the United States to the Persian Gulf countries, Russia, Mexico, and Barakel (Venezuela) were experiencing financial losses. Consequently, OPEC member states with large populations were more fearful of budget deficits, whereas smaller-population countries or those that did not include oil revenues in their budgets were more comfortable and at ease. Based on this downward trend in global crude oil prices, it was predicted that oil prices in 2015 might fall to around \$30 to \$40 per barrel. Given that Iran's oil revenue was projected on the basis of producing one million barrels per day at a price of \$72 per barrel in the 2015 budget, even if the final approved price were lower than \$72, it seemed likely that the eleventh

government would once again face a budget deficit in the coming year. Some opportunists affiliated with the tenth government blamed Iran's economic disorder on international sanctions. However, one economist argued that the economic problems that emerged since year 2012 were not primarily caused by sanctions. According to this expert, Iran's economic issues are deeply rooted and mainly political in nature. The main economic problem, he noted, stems from Iran's reliance on oil revenues a problem dating back over 40 years. The country has consistently engaged in crude oil exports rather than developing its oil industry further. The same expert noted that, in 2014, due to ongoing nuclear negotiations, Iran's economy was stagnant and lacked momentum. During this time, the nation was essentially waiting for the outcome of the nuclear talks. Any positive signals from the negotiations had a favorable impact on the economy, while negative signals caused adverse economic effects. According to this economics professor, the positive or negative effects of the nuclear negotiations were not deep enough to claim that they fundamentally changed Iran's economy. However, in 2014, under economic sanctions, the eleventh government attempted to pursue economic programs such as price reform. He assessed the nuclear agreement as highly significant for Iran's economy, stating that the main impact of the Geneva negotiations was that the escalating economic sanctions were halted, and no new sanctions were implemented against the country. On October 4, 2015, the Ministers of Economy, Industry, Labor, and Defense sent a joint letter to the President, criticizing some uncoordinated policies and decisions across government institutions. They warned that without urgent economic decisions, the ongoing recession could escalate into a crisis. In this joint letter, Ali Tayebnia, Mohammad Reza Nematzadeh, Ali Rabiei, and Hossein Dehghan Ministers of Economy, Industry, Labor, and Defense wrote to President Hassan Rouhani:

"As you are aware, since January 2014, the capital market has been seriously affected by both international and domestic macroeconomic variables, including the drop in oil prices, the decline in prices of essential commodities such as metals, the ongoing sanctions, and certain uncoordinated domestic policy decisions. This has resulted in a rare decline in the capital market, such that over the past 19 months, the market's value, based on the price index, has dropped by 42%. In terms of value, the market has experienced a decline of approximately **1,800 trillion Rials**, dropping from **5,110 trillion Rials in January 2014** to **3,300 trillion Rials today**. Despite the great and valuable nuclear achievement of the Iranian nation and its many positive economic outcomes, the market is now facing new uncertainties that must be addressed immediately."

In this letter, it states: 'Based on the budget forecasts of companies listed in the capital market and the current realities of operations in various stock market industries, if immediate decisions are not made based on the rules governing crisis conditions, there is a fear that this recession may turn into a crisis and then into a state of distrust, the effects of which may take a long time to eliminate.'

In the continuation of the joint letter from four ministers of the eleventh cabinet to the President, the main factors behind the decline of the country's capital market are mentioned and detailed as follows.

It is important to note that 35% of the market value is related to chemical products and oil derivatives, 14% is related to basic metals and metal ore extraction, and 13% pertains to banks and credit institutions. 2- The increase in the official exchange rate of the dollar from 27,990 Rials in late March 2015 to 29,960 Rials an increase of around 2000 Rials per dollar has led to higher production costs within the country. This factor has not been accounted in company forecasts, and its effects will appear in the future adjustment of corporate profitability. 3- Considering the role of banks

and credit institutions in guiding cash flow and stimulating industrial activity, attention to this sector's financial figures and data is of particular importance. For your information, the dividends distributed by this group have dropped from 67,000 billion Rials last year to 19,000 billion Rials in late 2014, and based on banks' operational trends and the Central Bank's requirements to compensate for reserve shortfalls over the next five years, the market does not foresee significant recovery in this sector.

4- Among internal factors contributing to the decline in market value of active companies in the capital market, one can point to lack of sufficient demand, challenges affecting economic activity, and increased inventory accumulation and accounts receivable across various industries. For example, in the automotive industry, the financial statements indicate accumulated losses of around 42,000 billion Rials, and due to a liquidity crisis, this industry is on the verge of shutdown, with more than 100,000 vehicles stored unsold at manufacturers' warehouses.

5- A similar situation is clearly visible in the steel, copper, housing, cement, tile and ceramic, and mining industries. In the petrochemical industry, which constitutes over 35% of the capital market value, unclear policies regarding gas feedstock pricing, and the increase in the official dollar exchange rate, which raises production costs, have worsened the recession in this sector. Furthermore, price controls on the products of some listed companies have prevented appropriate adjustment of revenues and expenses.

6- Although the major nuclear achievements have created a highly favorable position for the country and will bring numerous positive economic outcomes in the future, there is currently a noticeable decline in market demand due to expectations of falling prices. Additionally, there is an expectation in the capital market of the entry of new foreign competitors for listed companies. This issue has posed a challenge to domestic industries, and a clear and transparent policy must be adopted and announced to address it.

7- Some of the trading symbols of listed companies are currently suspended in the capital market. These include: Mobarakeh

Steel, Khuzestan Steel, Bandar Abbas Refinery, Lavan Refinery, Shiraz Refinery, Chadormalu Iron Ore, Gol Gohar Iron Ore, Bank of Pasargad, Bank of Parsian, Bank of Sarmayeh, and Bank Iran Zamin. It is predicted that the reopening of these symbols within the next week may lower the stock market index by 1,000 to 1,500 points. 8- A review of the financial figures from the 2014 fiscal year compared to 2013 and company forecasts for 2015 shows that corporate tax expenses in 2014 decreased by 37%, dropping from 42,520 billion Rials in 2013 to 26,820 billion Rials. 9- Financial facilities in the first quarter of 2015 rose by 17% compared to 2013, increasing from 406,330 billion Rials to 473,620 billion Rials. However, the financial costs of companies in 2013 amounted to 66,000 billion Rials, which increased to 81,000 billion Rials in 2014. This increase reflects a rise in interest rates on loans granted during 2014. Notably, a portion of this increase in financial facilities is attributed to the interest costs paid by companies. Meanwhile, the total outstanding bank credit in the system exceeds 7,000 trillion Rials. )but large listed companies account for less than 7% of this amount.

### **What would have happened to the country's production if there had been no "JCPOA"?**

In the late April 2016, the International Monetary Fund (IMF) predicted that Iran's economy would grow by 4% in 2016. IMF experts estimated that, considering the lifting of sanctions against Iran, the country's economy could achieve significant growth. Economic activists in Iran shared a similar view, believing that in 2016, Iran's economy would enter a new phase, one in which it could overcome previous ups and downs and move toward growth. Traders and producers tied any change to the removal of sanctions, and stated that if sanctions had remained in place, not only would prices have continued to rise, but the recession would have deepened, and people's purchasing power would have significantly declined. However, with the

lifting of sanctions, at least 20 major challenges were removed from the path of producers, and only domestic obstacles remained. (During the Rouhani administration, some sanctions had been lifted.) If the 11th government had taken action to resolve those domestic issues, the country's industry could have experienced up to 10% growth. Although some believed that the lifting of sanctions had no impact on their lives and that conditions for producers had not improved, economic experts rejected this view. In their statements and interviews, they emphasized that since the sanctions were lifted, conditions had stabilized, and some countries had expressed both in writing and in person—their willingness to cooperate with Iran.

### **The producer pays the cost of the imposed sanctions.**

One of the members of Iran's Chamber of Commerce, speaking about the damage caused by sanctions to the country's economy, production, and trade, said:

“If I want to summarize the impact of sanctions in one sentence, I would say that sanctions imposed additional costs on every sector. If this trend continued, Iran's economy would certainly have suffered even more. Fortunately, the eleventh government (Rouhani administration) was able to overcome this problem with strength, and we in the private sector, as partners of that administration, want to take advantage of this opportunity to improve the country's economy.” Then He criticized those who claim that the lifting of sanctions had no effect on the economy, saying:

“Before the sanctions were lifted, we were forced to go through intermediaries for purchasing and making payments, which greatly increased the final cost of goods. We were also worried that we wouldn't be able to make purchases in the coming months, so we had to buy in larger quantities. When goods pile up in storage, that means capital is tied up and costs increase. But in the current situation, this case no

longer happens, and we can make purchases whenever needed. Another major problem was in imports and exports. Since we couldn't directly transfer money to sellers, we had to negotiate through intermediaries, who treated us however they pleased." Now, exports and imports are conducted directly, without intermediaries. Another economic challenge that severely harmed us was the stalling of development projects. No country except China was willing to cooperate with us, but now European and Asian countries are competing to work with Iran. This member of the Chamber of Commerce stated: "The problems faced by producers and traders have greatly decreased compared to the sanctions period and cannot be compared to those years. With the changes that have occurred, we will definitely see lively and prosperous days ahead. Currently, demand for Iranian goods has increased, and producers want to increase production to meet foreign demand." He added: "In recent years, none of the European countries were willing to invest in Iran's projects, but with the lifting of sanctions, European countries are now expressing interest both in person and in writing." He emphasized:

"With increased domestic production sales and access to necessary raw materials, the market will soon recover from stagnation, and a significant portion of the expectations tied to the JCPOA (nuclear deal) will be fulfilled. If the sanctions had not been lifted, the situation today would be much worse, and prices could have risen dramatically."

### **We have lost international markets.**

Other members of the Iran Chamber of Commerce also spoke about what challenges the country's economy would be facing if the sanctions had continued. They said: Since Iran faced sanctions, economic problems increased day by day. This situation had the greatest impact on the final price of goods, and people lost their purchasing power. When purchasing power declined, a recession affected producers, and after



the drop in production, unemployment started to rise. He continued: Another issue caused by the sanctions was the suspension of projects. Since other countries were unwilling to sell the necessary parts for Iranian projects, many of them remained unfinished and could not be operationalized. This destroyed investments and increased the risk of investing in Iran to the point where even domestic investors were unwilling to get involved in any projects. He emphasized: During the sanction period, many machines broke down, and due to the absence of many foreign companies, we lost access to international markets. Toward the end, we even had to pay 15 times the regular price to charter ships for transporting Iranian goods. He stated that during the sanctions period, they were forced to rely on intermediaries for their activities. He said: When the normal and direct market was lost, we had no choice but to turn to intermediaries, and this was especially evident in the financial and monetary sectors. As a result, a black market was created for Iranian traders and producers, which led only to increased costs without any other benefit. The member of the Iran Chamber of Commerce noted: Now that the sanctions have been lifted, the previous psychological pressure has been broken, and fortunately, many countries have expressed readiness for joint cooperation. Therefore, we no longer have a problem obtaining parts or completing our projects, and this process has also reduced the investment risk in Iran.

### **Sanctions have made Iran's economy fragile.**

The head of the House of Industry and Mining also spoke about the positive effects of the lifting of sanctions. He said: The positive effects of lifting the sanctions may not immediately appear in people's daily lives, but in the fields of production and trade, the impact is already evident. Therefore, we can be hopeful that Iran's economy will soon face better conditions and may even become capable of competing with various countries. He added: If the sanctions had continued for

another year, many production units would have faced serious problems. Fortunately, the government, through effective negotiations, managed to navigate this crisis well and prevented the negative consequences of the sanctions from worsening the economy further. However, to prevent such conditions from recurring, we must now move away from a single-product economy. he stated that reliance on oil revenues made Iran vulnerable and that a resilient economy would help reduce dependency on oil income. "We have many industries that, if trusted, can grow rapidly and even break export records." The head of the House of Industry and Mining emphasized: The sanctions caused us to fall behind in development for years, so now is the time to make up for the past and not allow previous problems to persist. Fortunately, the Eleventh Government's view toward production and the private sector is very positive. Therefore, by relying on government support, it is possible to recover from past setbacks. He stated: Iran's economy became fragile due to the sanctions, but with the start of negotiations with foreign parties and the interest shown by foreign investors in Iran, all the problems are now being resolved. another member of the Iran Chamber of Commerce also spoke to reporters about the impact of sanctions on economic activities. He said: In the early stages of the sanctions, there was little effect on producers' activities because we could still obtain part of the necessary raw materials from various countries, and due to sufficient reserves, we didn't initially feel the challenges of the sanctions. However, over time, hostile countries imposed more restrictions, which severely harmed domestic production. he noted: Another issue that put Iran's economy in a difficult position was its dependence on oil. If the government had paid more attention to other sectors and industries in previous years, our dependence on imports would have been less. I believe that if the concept of a resilient economy had been adopted years ago, at least 40% of the current challenges in industry would not have emerged. He added: Now that the sanctions have been lifted, we hope the government's view of producers and

the private sector will change, and conditions will be created where everyone can grow equally. Fortunately, at this stage, all international problems and restrictions have been resolved, and it is now easy to connect with traders, producers, and investors from other countries. He emphasized: It is predicted that with the government's positive outlook on the private sector this year, Iran's economy will come out of recession and move toward the kind of dynamism that is intended.

### **Positive impact of lifting economic sanctions**

1-intermediaries used to bypass sanctions have been eliminated. 2-The production cost has decreased.3- Negotiations are now conducted directly. 4- Investment risk has been reduced. 5- Idle capital no longer exists. 6- Supplying parts has become possible.7- Incomplete projects and plans have been reactivated. 8- The government's financial situation is improving. 9- The unemployment rate is gradually declining. 10- Export and import issues have been resolved.11- Foreign investment is now being made directly. 12- European countries will once again become Iran's primary partners. 13- Iran can now have a voice in the international economic arena. 14 - The market for production and consumption will flourish again. 15- People's purchasing power will increase.16- There will be no rise in commodity prices. 17- Economic stability will be achieved in the country. 18- The cost of importing goods from abroad will decrease. 19- The negative psychological atmosphere in the economy has been broken. 20- New technologies are entering the country.

### **Openings of the Iranian economy 90 days after the implementation of the JCPOA: (Post-sanctions economy)**

After the implementation of the JCPOA (Joint Comprehensive Plan of Action), the core of economic criticisms against the government revolved around a central

argument: “*The JCPOA has brought no economic benefits to the country.*” This phrase could be considered a common refrain among JCPOA critics.

Although the government consistently maintained a stance of openness to criticism as evidenced by the large volume of intense critiques, according to the President, the line between criticism and destruction must be clearly drawn. Based on this, understanding the accuracy of the claim “*the JCPOA failed economically*” is not difficult. It suffices to look at the timeline of JCPOA implementation. The logic presented by critics can be summarized as follows:

1. Within three months, all the complex and diverse aspects of implementing the JCPOA including the agreements reached, the commitments of each party, the bureaucratic process of lifting EU and U.S. sanctions (with the U.S. alone having around 800 executive branches involved), and the highly risky mechanisms of global economic structures and interactions with major international companies should have been fully operational.
2. Within less than three months, all the economic effects and outcomes of the JCPOA should have become visible in the country’s key economic indicators, such as economic growth, investment, employment, recession, national income, and so on.

According to this logic, since no improvement in major economic indicators was observed during this period, the JCPOA is deemed to have brought no benefits to the country. From a macroeconomic perspective, the implementation of any plan depends on various factors and often requires a long-term outlook to evaluate its outcomes. Now, if we consider the JCPOA with all its dimensions, from the complex process of lifting international sanctions at both the national and global levels to the long-term process of building trust with international companies and economic

entities for investment and economic cooperation then judging it as a failure seems somewhat unfair. Moreover, a brief look at some of the most significant economic achievements in the three months following its implementation clearly shows that the country actually experienced notable economic openings after the JCPOA. These include:

- An increase of 700,000 barrels per day in oil exports within three months,
- The confirmed attraction of \$7 billion in foreign investment,
- Profitable economic and trade agreements such as joint car production for export to Middle Eastern target markets,
- Major contracts for upgrading the air fleet and aviation transport infrastructure.

### **Some of the most important economic openings in the three months after the implementation of the JCPOA**

1-An increase of 700,000 barrels in daily oil exports. 2- Attraction of \$7 billion in foreign investment.3- Re-establishment of SWIFT connections and the opening of 1,600 letters of credit (LCs).4- Entry of major automotive giants and joint production contracts with Iran.5- The beginning of the process to release \$32 billion of Iran's frozen assets.6- Authorization for Boeing, the aviation giant, to enter the Iranian market. 7- Lifting of shipping sanctions and revival of Iran's maritime transport.8- Contract with Airbus and the start of renewing Iran's air transport fleet after 30 years.

### **The normal state of Iran's economy after the JCPOA**

Opponents of the JCPOA's economic impact fell into two categories: one group consisted of well-meaning critics whose objections aimed to accelerate the achievement of the JCPOA's economic benefits. The second group had more

politically motivated opposition, with backgrounds linked to previous flawed economic policies. At the time, Iran was nearly in "oil-for-food" situation, and its economy was in very poor condition. The JCPOA helped restore this economic state to normalcy. During this period, not only were no new sanctions imposed, but previous sanctions were also lifted. At the time of cancellation of the JCPOA, Iran was able to export its oil and had achieved greater success in energy exports compared to earlier years. Additionally, the financial transaction costs between Iran and the rest of the world had significantly decreased.

### **Comments from the former head of the Privatization Organization about the JCPOA implementation process**

During the three-month implementation period of the JCPOA, we have witnessed positive developments in the country's industry and economy. We should not expect that an atmosphere created by 12 years of severe international sanctions against Iran can be changed in a short time. The reopening of SWIFT, the opening of Letters of Credit (LCs), various investment agreements, and economic interactions with different countries around the world are examples of actions that have occurred in the short term, and their long-term results will become visible over time. Moreover, the strong interest shown by international economic enterprises and developed countries in economic engagement with Iran clearly seen during foreign visits by Iranian officials as well as visits to Iran can be considered a positive sign of an upcoming era of economic transformation in Iran. The gradual unfreezing of Iranian assets and blocked funds in various countries is being realized, and we need to be patient and give the different economic sectors of the government some time to fully implement the economic outcomes of the JCPOA. Naturally, we should not expect a multi-year problem to be completely resolved overnight. The economic openings resulting from the JCPOA will impact macroeconomic indicators in the short term

especially in improving the business environment, job creation, recovery from recession, controlling inflation, and stabilizing financial and monetary markets. Very positive changes are expected to occur soon in these areas.

### **A realistic endorsement of the JCPOA developments of the mid-2010s**

Before judging the consequences of a phenomenon, it is necessary, first to clarify its various dimensions and how its outcomes occur, and for the evaluators to be properly informed. What has happened in Iran's economy in recent years, and the various constraints imposed under successive sanctions, clearly indicates that these restrictions had highly complex dimensions, and their impact was imposed on different sectors of Iran's economy, first directly, and then indirectly. Therefore, naturally, after the JCPOA, we should first witness its direct effects, followed by its indirect consequences, and our expectations should be aligned with the existing realities. Following the implementation of the JCPOA, our financial, banking, and trade relations with many countries around the world entered to a new phase. Observing these openings does not require special expertise or a specific economic perspective, but only a bit of realism and fairness from the observer. The fact that during the 12th government (Rouhani's second term), Iranian banks were able to conduct financial and monetary transactions with other international banks, that our shipping industry could officially resume cargo transport, that Iran's blocked funds in other countries were released and made available to us, and that many of Iran's outstanding claims from other countries previously removed from our economic cycle under the pretext of sanctions were returned, all serve as clear examples. During that period, Iran's economy began to move forward. The fact that many large international companies and economic officials from other countries were traveling to Iran and taking initial steps toward economic cooperation; the fact that many statistics from reputable global economic institutions and international financial

organizations were offering a very positive outlook for Iran's post-JCPOA economy even the International Monetary Fund predicted a 5% economic growth for Iran; the fact that major global car manufacturers entered into partnerships with Iranian automakers and began establishing joint ventures, viewing Iran as a gateway to the Middle Eastern export market all of these were early outcomes of the JCPOA that no fair-minded person can deny. However, to expect that three months after the implementation of the JCPOA, long-standing problems such as unemployment, economic recession, deep-rooted structural imbalances, and the government's inherited debts to other sectors would all be resolved is an unrealistic expectation.

A proper understanding of macroeconomic indicators such as employment, economic growth, income distribution, and major structural imbalances leads us to the conclusion that more patience and perseverance are needed. Anyone familiar with the fundamentals of these economic variables would never look for short-term solutions to such complex problems. In summary, the JCPOA was on a proper implementation path.

### **Agreement in Iran nuclear talks**

One of the pivotal moments in Iran's economy during the 2010s was the nuclear agreement between Iran, the European Union, and the United States. Following this agreement, the President of the United States gave a media interview in which he spoke about Iran's blocked assets and frozen dollars abroad. It was revealed through the Institute of International Finance that Iran's frozen assets amounted to \$150 billion. The report also stated that lifting Iran's sanctions would likely lead to increased oil production by Iran and create financial pressure on other hydrocarbon-exporting countries. According to the *Financial Times*, lifting sanctions on Iran would likely increase Iranian oil output and intensify financial stress on other exporters of hydrocarbon resources. The credit rating agency Moody's also reported



that an estimated increase of one million barrels per day in Iranian oil production within one to two years would inevitably lower prices. This price drop would reduce financial revenues for countries such as Russia, Venezuela, Nigeria, Bahrain, and Oman, thereby lowering their credit ratings. Moody's, citing the Institute of International Finance, also noted that the nuclear agreement would allow Iran to access \$150 billion in previously frozen revenues and reconnect with the global financial system potentially increasing Iranian oil production to 4 million barrels per day by 2017. Iran's increased oil production could also weaken Moody's forecast of a \$5 increase in oil prices for the year 2016. However, in this regard, Iran's then Minister of Economic Affairs and Finance announced: *The amount of Iran's accessible frozen dollars is less than \$30 billion*, and this amount is part of the Central Bank's financial reserves. Ali Tayebnia, commenting on the figures related to Iran's blocked funds abroad ranging from \$25 billion to \$175 billion said: "The main reason for the differences in these figures is due to the varying definitions individuals use when referring to these funds. He continued: "Our foreign exchange reserves abroad might be close to \$100 billion, but the accessible and usable portion is the amount announced by the Central Bank Governor." He further explained: About \$35 billion of the Central Bank's foreign exchange resources are held by NICO (Naftiran Intertrade Company), affiliated with the National Iranian Oil Company. This amount was deposited in the past and allocated to oil company projects or other expenditures and is currently not accessible. The Minister added that approximately \$22 billion of these foreign reserves are held as collateral by a Chinese insurance company for financing Iranian development projects, and this amount is also not accessible. Therefore, the accessible amount is less than \$30 billion and is part of the Central Bank's financial resources. Additionally, the Minister of Economic Affairs and Finance of Iran, during a meeting of the OPEC Fund Ministers' Council in Vienna, pointed out that the main goal of the OPEC Fund

is to finance development programs and help eliminate poverty in non-OPEC countries. He stated: “In today’s meeting, the annual programs, policies, and a 10-year long-term plan for the OPEC Fund were approved by the Council of Ministers. According to this, the development activities of this institution for the next 10 years will be defined.”

### **An economic letter and three different approaches**

The Economic Group publication of a letter by four cabinet ministers including the Ministers of Economic Affairs and Finance, Industry and Mining, Defense, and Labor and Social Welfare addressed to the President regarding the condition of the stock market and the reasons for the market crash in 2015 under the eleventh government sparked widespread reactions in expert and political circles. According to the Minister of Economy, the letter was sent at the request of the then President as part of a report on the state of the economy and the stock market, and it was by no means intended as a warning to the head of the cabinet. He stated that sending such letters was unprecedented., and it was common practice for ministers including the Minister of Economy to write letters to the President and other government officials to provide updates on the latest economic developments and propose solutions for existing problems. However, despite the explanations provided by the signatories of the letter and the government spokesperson who denied that the letter was a warning and emphasized that it did not indicate disagreement among cabinet members many experts shared their own interpretations of it with the media. Among them, some analysts focused on the form and method of the letter’s release, discussing how and in what format it was published. Others interpreted the letter as evidence of deep divisions among cabinet members and their differing perspectives on the country’s economic issues. At the same time, a number of experts went beyond these interpretations and instead of it offered practical solutions to address

the existing economic challenges. Overall, it can be said that experts had three different reactions to this letter. Some were completely opposed to it. They not only believed that its publication was inappropriate but also interpreted its content as a sign of internal disagreement among the government's economic decision-makers. However, a number of experts had a dual view of the letter. While they opposed the method of its publication—being a direct address from the ministers to the president—they still called on the eleventh government to seriously address the issue of recession that was mentioned in the letter. In addition to these experts, there were also analysts who did not find the method of publication unusual and, in fact, considered it a means of transparency and forecasting for Iran's economic future. Morteza Allahdad, an economist and university professor, stated:

"Even if this letter hadn't been written, the country's economic problems were so severe that they would have had to be openly acknowledged anyway, and it's possible that the president himself would have raised them." This economist further explained: "The major economic problem of the country is economic recession. A large portion of the inflation was expectation-based inflation resulting from sanctions, which was mitigated by the efforts of the Ministry of Foreign Affairs. As public confidence increased, speculative activities significantly decreased." A senior advisor to the Minister of Industry, Mines, and Trade commented on the letter by saying: "If the economic recession continues, businesses will face the risk of closure. Unfortunately, the Central Bank does not support lowering interest rates." Ahmad Pourfallah, commenting on the recent letter from four ministers to the president warning about the country's economic situation, noted: "The publication of this letter in cyberspace raised hopes that the *eleventh government* would act transparently and without censorship, since the private sector had already been warning for some time about the recession affecting the market. This recession has

been troubling both the market and production enterprises.” He emphasized: “Although the government's success in quickly reducing inflation over the past two years has been commendable, the economic recession, on the other hand, is seriously damaging production enterprises. If action is not taken quickly, the stagnation created may lead to the destruction and closure of businesses.” According to the *Iran Newspaper*, President Hassan Rouhani said in a televised interview with the public: “Due to the sanctions, the goods we imported were sometimes 20%, 25%, or even 30% to 40% more expensive. That means, for example, if we needed to import \$100 billion worth of essential goods, at least about \$25 billion was wasted. This money came out of people’s pockets.” He continued: “Of course, this situation was highly profitable for the *Sanctions profiteers*, who were present in Dubai, Europe, China, and Tehran. These profiteers, who were benefiting from the sanctions, are the ones angry about the JCPOA (nuclear agreement), while it was the people who were paying the price.”

### **Beginning of the story:**

On July 1, 2012, the Minister of Petroleum in the tenth government issued a directive calling on all managers and employees of the Ministry of Petroleum to mobilize against the illegal sanctions imposed by the 27 European Union countries. At that time, the European Union had sanctioned the purchase of oil from Iran, and the leadership of the Ministry of Petroleum had recently changed. Although warnings had been given for some time that the EU intended to sanction Iran, officials at the Ministry of Petroleum claimed that if Iran were sanctioned, the price of oil would exceed \$150 per barrel. This was while the government at the time, which was accustomed to oil revenues of \$100, saw its share of the market as being greater than reality. But in practice, Iran was sanctioned, the price of oil did not exceed \$150, and the mobilization of the Ministry’s staff and managers yielded little

in this regard. Meanwhile, the Iranian people bore the bitter consequences of the sanctions with their whole being, and the size of Iran's economy gradually shrank. However, during this same period, some individuals amassed significant wealth as a result of the very sanctions that targeted people's livelihoods. While the exact identities of these "sanctions profiteers" remain unclear, it is possible to make approximate estimates of the wealth they accumulated.

### **Importing goods into the country**

Setting aside the oil rig that was paid for, but never delivered to Iran, and the thousands of small and large cases of economic corruption, the issue turns to legal and everyday transactions. With the extension of sanctions to the banking network, the disconnection from SWIFT, and the isolation of Iran's financial transactions with the outside world, as well as sanctions on shipping and insurance, the import and export of goods from Iran became more expensive than before. Now, transferring money either in foreign currency from Iran to abroad or from abroad to Iran faced serious challenges. These challenges led to a 20 to 45 percent increase in the prices of goods for Iran. Studies show that during the peak of the sanctions, from year 2012 to late march of 2015, Iran imported more than \$154 billion worth of goods. This means that between \$30 to \$60 billion was spent from the Iranian people's pockets solely due to the costs imposed by the sanctions in the import sector. In this short period (during the intensification of sanctions), between \$30 to \$60 billion went into the pockets of those who acted as brokers and intermediaries for purchasing goods needed by Iran.

### **Importing chewing gum and Porsche cars instead of food and medicine**

When the Minister of Health in the tenth government accused certain individuals of importing cosmetics and Porsche cars using government-subsidized foreign

currency that was allocated for importing essential goods, he was met with silence from his colleagues. Less than four months later, when he was dismissed from his position, no further news emerged about his investigations into currency misuse. It later became clear that even horse saddles had been imported with money that was supposed to be used for importing essential medicines. This indicates that the issue was not limited to just the act of importing. The Foreign Exchange Center, which was initially launched to combat sanctions, was in its final days. Goods were prioritized to clarify what the country truly needed, but during this period, those priorities were often circumvented by businessmen who weren't satisfied with mere intermediary profits. Imported chewing gum during this time sparked public outcry, with many questioning the necessity of such imports when the country's primary need was food. Luxury cars caused a stir on the streets of sanction-stricken Tehran, fueled by gasoline produced by petrochemical companies due to the ban on gasoline imports. In the same year the oil minister issued a directive to mobilize against European Union sanctions, 16,239 luxury vehicles entered Iran. After the eleventh government came into power, the importation of luxury vehicles was first restricted and then halted entirely. In 2013, around 4,000 luxury cars were imported, and in 2014, the number dropped to just 133 vehicles. The import of 16,000 luxury cars in a year that was marked by foreign currency shortages cost the country around \$1 billion. While luxury cars have increasingly become a social wound in Iran's crisis-hit economy, their presence reflects the deepening class divide that intensified during the years of sanctions. Although gum imports declined in 2012 to about \$12 million, the dominance of foreign chewing gum brands in Iran's multibillion-dollar market revealed that the traders of this popular item had no intention of yielding their market share even at the expense of medicine imports during a currency crisis.

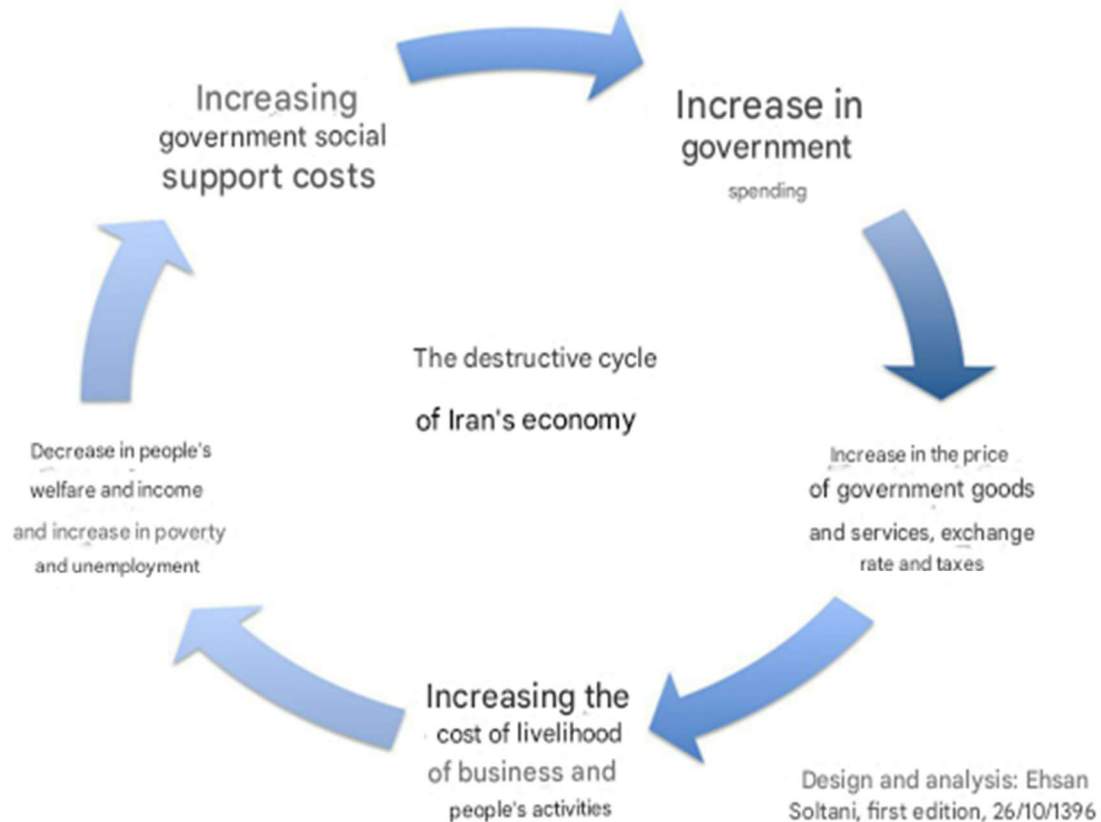
### **Smuggling of goods worth up to \$20 billion a year**

Those who didn't import goods legally found illegal entry points. The head of Iran's Customs Administration had previously stated that the volume of illegal imports was around \$20 billion per year. However, some sources claim that the actual volume of smuggled goods in the Iranian market exceeds \$30 billion annually ranging from mobile phones to side-by-side refrigerators. The Interior Minister, who later referred to smugglers as holders of "dirty money," warned that this dirty money might infiltrate politics from the economy. He presented striking figures regarding the financial scope of these operations. Fuel smugglers alone were generating billions of dollars in revenue. Investigations showed that they didn't return empty-handed: they exported Iranian goods with a competitive advantage abroad and brought back foreign goods with high demand in Iran. Many among them claimed they were bypassing sanctions. But because their "detours" weren't transparent, it's impossible to provide exact figures on the income they earned from these operations. As a result, during the three years when sanctions worsened Iran's economic crisis, some individuals earned between \$60 billion to \$100 billion through these channels. Sanction profiteers weren't just active in the import sector they also worked in exports. One example of their activity resulted in a \$2.8 billion oil-related debt that burdened the government. The person behind this was Babak Zanjani, a broker involved in selling Iranian oil. Although he was imprisoned, the absence of funds in any known account and the misleading information he provided created a serious crisis. Was Zanjani the only person involved in selling Iran's oil? While that question isn't easy to answer, examining the many layers of news from Iran suggests that others were also active in this sector. Among those involved, some became well-known, such as *Reza Zarrab*, who was convicted in Turkey, while others remain anonymous. The oil-related dealings weren't limited to just selling crude oil. During those years, some individuals carved out stable roles for themselves as intermediaries for transferring oil revenues to Iran. In exchange for bringing each

dollar into the country, they received a commission. At the time, certain officials from the 10th administration (under President Ahmadinejad) spoke in private and semi-private meetings about the high costs of transferring money to Iran. Some cited the cost as 25 cents per dollar, meaning that for every dollar brought into Iran, 25 cents was spent. As a result, for every \$1 million in oil sales, \$250,000 ended up in the hands of those mediating the money transfers. During the peak of the sanctions, from 2012 to late March of 2015, Iran sold at least \$150 billion worth of oil. According to statistics from the International Monetary Fund (IMF), \$62.9 billion of that, was in year 2012, and \$56.3 billion in 2013. However, the Central Bank of Iran reported lower figures: \$68.135 million in 2012 and \$64.78 million in 2013. Based on these numbers, and assuming a \$0.25 brokerage fee per dollar, it can be calculated that sanction profiteers pocketed at least \$35 billion from these transactions alone. When Isa Kalantari, a member of President Hassan Rouhani's transition team, gave an interview, he emphasized that Iran's oil revenues were being deposited into the accounts of 63 individuals most of whom were residing outside of the country.

Regarding the destructive cycle of the Iranian economy from the perspective of how government spending is financed and spent, the chart below provides clarity.





### **Lame production and a few tips**

There are a few points regarding the country's most critical economic problem, namely "Lame production":

1-The economic approach of the Rouhani and Ahmadinejad administrations to solving economic problems has essentially been a surrender to free-market economics. The officials and advisors of both governments believed that by delegating all responsibilities to the mechanisms of the free market, and by minimizing the involvement of the government and even the Islamic Consultative Assembly (Parliament) in economic affairs, everything will fall into place. They have been advocating and implementing this idea for over 30 years.

2-Most of the country's banks are privately owned, and over the more than 15 years since their gradual establishment, they have seen significant growth both in number and in their influence on the economy.

3- Private sector economic agents have always complained about the high interest rates, taking their grievances to government officials. These officials, despite their official stance in favor of a free-market economy, display a clear contradiction rooted in a misunderstanding of Iran's economic realities by aligning themselves, at least verbally, with the private sector's demands for lower interest rates.

4-What is particularly noteworthy is the contradiction within the private sector itself: on the one hand, it charges high interest rates through its own banks, while on the other, it complains about the harmful effects of these high rates on production. It seems the private sector wants to *receive* high interest on deposits in its banks, but when *itself* seeks loans, it expects to *pay* low interest.

5- A more important issue lies in the government's mindset, which has modeled its entire organizational structure around the rules of a free-market economy and seeking salvation from a "shrine" whose miracles no realist has believed in for decades. Yet at the height of its executive power, it makes desperate requests like lowering interest rates that in a true free-market economy would be met with ridicule.

## **Price hikes and monetary policy in the Rouhani government**

### **Gasoline price hike in 2019**

On November 15, 2019 (24th of Aban 1398 in the Iranian calendar), gasoline and energy carriers were rationed, and their new prices were officially announced. According to the announcement by the National Iranian Oil Products Distribution Company, from this date onward, the price of rationed gasoline was set at 1,500

tomans per liter, and the price of non-rationed (free-market) gasoline was set at 3,000 tomans per liter. The official statement from the National Iranian Oil Products Distribution Company regarding the fuel consumption management plan is as follows:

"The National Iranian Oil Products Distribution Company informs all fellow citizens that, based on the resolution of the Supreme Council of Economic Coordination of the Heads of the Three Branches of Government, starting from midnight on the 24th of Aban 1398, gasoline rationing for all gasoline-powered vehicles will be implemented as specified in this announcement."

1-The gasoline quota for each type of vehicle is as follows:

1. Gasoline Personal car 60 liters per month
2. Dual-fuel personal car 30 liters per month
3. Gasoline taxi 400 liters per month
4. Dual-fuel taxi 200 liters per month
5. Motorcycle 25 liters per month
6. Gasoline Low-consumption pickup 200 liters per month
7. Dual-fuel Low-consumption pickup 60 liters per month
8. Gasoline High consumption pickup 300 liters per month
9. Dual-fuel High consumption pickup 120 liters per month
10. Ambulance 500 liters per month

2-The price of regular *rationed gasoline* will be 15,000 Rials per liter.  
 The price of regular *non-rationed gasoline* will be 30,000 Rials per liter.  
 The price of *super gasoline* will be 35,000 Rials per liter.

3- Starting from midnight on November 15, 2019, the full fuel quota for all vehicles will be deposited into their personal fuel cards. The quota for private vehicles can be stored for up to 6 months. Fuel quotas can only be used via a personal smart fuel card.

4- Those who, for any reason, have not yet received their personal fuel card should not worry, as their fuel quota will be preserved from the moment the plan is implemented. This includes people who have not yet requested a replacement card, people who have requested one but not yet received it, people who have had a card issued but it is still pending delivery at a National Post Office branch. All of these individuals will have their fuel quota saved and available from today.

5- The price of CNG (Compressed Natural Gas) will remain unchanged.

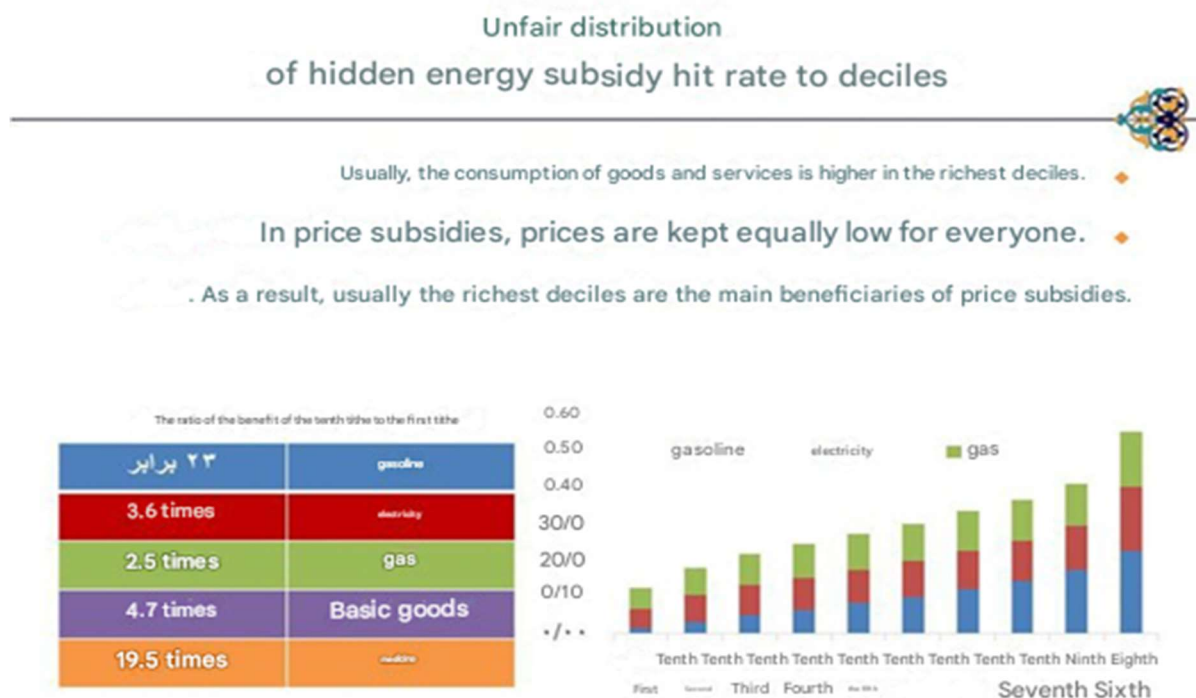
6- For internet-based passenger carriers (SNAP and TAPSE), provided that they do not change their rates from the approved amounts, at the discretion of the Ministry of Interior, a credit equivalent to the approved quota will be granted. Necessary arrangements have been made to supply fuel to local and intercity passenger vehicles, passenger agencies, and driving schools, which will be announced later.

7- To ease the situation for vehicle owners especially pickup trucks (vans) it was decided that within one month, the Ministry of Petroleum and the Plan and Budget Organization will prepare and present incentive policies to encourage CNG usage in vehicles, to be approved by the Economic Council.

8- Government vehicles under Article 5 of the Civil Service Management Law will not receive any gasoline quota. These vehicles must purchase gasoline at the 30,000 Rials per liter price.

9- The price of diesel fuel at the Fuel station, using station-owned fuel cards, will remain unchanged.

Chart showing energy consumption trends and fuel subsidy distribution in Iran



### What is the argument of those in favor of increasing gasoline prices?

Supporters of gasoline price increases come from various backgrounds, and at times, they have valid reasons for their stance. Below are three of the most common and logical arguments made by proponents of raising gasoline prices:

## 1-Smuggling

One of the main reasons often cited in support of increasing gasoline prices is the significant rise in fuel smuggling, particularly after last year's sharp jump in the exchange rate. According to some reports, between 15 to 20 million liters of fuel are smuggled daily. Proponents argue that raising domestic gasoline prices can reduce the profit margins for smugglers, thereby curbing the smuggling of fuel across borders. the Solution is **curbing smuggling**: When fuel prices in Iran are significantly lower than in neighboring countries, it creates strong incentives for smuggling. Increasing domestic prices helps reduce the profit margins of smugglers, thereby decreasing illegal fuel exports

## 2-Excessive consumption and air pollution

Another key argument made by supporters of fuel price hikes is the continuous increase in gasoline consumption over recent years, particularly after the removal of fuel rationing and fuel cards. This surge not only leads to the excessive depletion of national resources but also contributes significantly to air pollution a serious concern considering that several million new vehicles are added to the streets every year. Additionally, the unusually high fuel consumption of domestically produced vehicles exacerbates the issue. On average, cars made in Iran consume 8 to 10 liters per 100 kilometers, while automakers of similar generations abroad now produce vehicles that consume as little as 4 liters or less over the same distance. the Solution is **Reducing wasteful consumption**: Cheap fuel prices often lead to excessive and unnecessary consumption. By increasing the price, people are encouraged to be more mindful of their usage, which can help reduce overall energy consumption.

## 3- Consumption management

Another reason cited by proponents of increasing gasoline prices is that, this policy helps control fuel consumption, which at times has exceeded domestic production, even after the launch of the Persian Gulf Star Refinery. They argue that by curbing demand, Iran can avoid becoming dependent on importing this strategic commodity in the long term. the Solution is **Fairer Distribution of Fuel Subsidies**: Fuel subsidies disproportionately benefit wealthier individuals who own multiple or high-consumption vehicles. By adjusting fuel prices and reallocating subsidies, the government can better support lower-income households and direct resources to more impactful areas. Although the reasons presented by supporters of this policy are partially valid and worth considering, there are also important concerns beyond the political and social consequences that highlight the need to avoid further price hikes. These concerns will be examined in the following discussion.

### **Why shouldn't gasoline become more expensive?**

As previously mentioned, although the general arguments of proponents may seem reasonable, the details and method of implementation as currently proposed is not only fail to achieve their intended goals but also impose significant costs. In effect, the policy may end up backfiring and producing results contrary to its original purpose. Below are some of the key counterarguments that challenge the claims made by supporters of raising fuel prices.

#### **1-Impact of price increases on smuggling**

It is no secret that the high level of fuel smuggling, especially along the eastern borders of the country, is one of the major economic problems that requires urgent action. This is because the nation's and the people's assets are being sold at many times their value across the borders by a group of brokers and profiteers. According to studies conducted by some organizations, which have calculated the average profit

per liter of fuel for smugglers, it is estimated that smugglers earn an average of 100,000 Rials per liter of gasoline and 90,000 Rials per liter of diesel, which is an astonishing figure. But does, for example, a threefold increase in gasoline prices really reduce smuggling? In other words, would a smuggler, who is already aware of the risks involved in this activity, give up the market just because his profit per liter drops by 20,000 Rials and becomes 80,000 Rials? It cannot be denied that, this decision might reduce the level of smuggling to some extent, but certainly, even with a 300% increase in the price of gasoline, the answer to the question of whether smuggling will decrease after the price increase is negative. The lack of effective border surveillance and inefficient tracking and control infrastructure is one of the root problems that cannot be resolved merely by changing fuel prices. Therefore, in order to address the issue of fuel smuggling, any increase in gasoline prices must be accompanied by complementary policies such as strengthening border control, utilizing fuel tracking technology, and regional coordination for energy pricing.

## **2-Impact on consumption and air pollution**

Another justification for the increase in gasoline prices is to prevent excessive consumption. While it is true that, for example, a threefold price increase might lead to some reduction in consumption, the question remains: Can this reduction be significant and sustained over time? To answer this, two main points must be considered: First why is price-setting the only policy tool Authorities resort to in order to reduce consumption and air pollution? why aren't other methods such as promoting the use of public transportation, developing the public transport network, reducing vehicle fuel consumption, and imposing taxes on owners of fuel-inefficient cars utilized? Second, the key issue is that the current public transportation network does not have the capacity or ability to handle an increase in commuters. One cannot reach the conclusion that increasing prices will reduce consumption solely based on



consumption theories, without taking social realities into account. Given the lack of necessary infrastructure, such price hikes are unlikely to achieve the desired outcome.

### **3-Impact on consumption management**

There is no doubt that fuel rationing, if the price gap between subsidized and free-market fuel is large, can in the long run help reduce and control consumption. However, the price increase currently being considered by government officials, and the method of rationing as outlined by authorities, not only fails to curb rising consumption, but also due to its psychological impact hinders other measures such as removing high-consumption vehicles from eligibility for subsidized fuel. In other words, the proposed increase in the price of free-market gasoline still doesn't significantly affect those who own multi-billion toman luxury cars people who typically fall into the high-consumption bracket. But beyond the seemingly sound arguments of the proponents, the main issue of concern is the impact of rising gasoline prices on inflation and the cost of living, which cannot be ignored. As then-Oil Minister Zangeneh also acknowledged, this move will undoubtedly have inflationary effects not only due to actual price increases for goods and services that follow, but also because of psychological effects, which are even more important. In other words, expectations of a gasoline price hike can itself cause prices to rise, potentially inflating the cost of many goods disproportionately. what is most striking and confirmed by many experts is that the Planning and Budget Organization appears to be turning to higher energy prices as a way to compensate for budget deficits. While the president at the time promised to increase cash subsidies, funded in part by the rise in gasoline prices, the real question remains: Can the government maintain the already struggling standard of living for the people, or will this move

trigger another wave of inflation and price surges, worsening the country's economic condition?

### **Economists' warning to financial and trade policymakers**

The government's dominance over Iran's economy is so extensive that there is virtually no ministry without its own economic enterprise. Even ministries such as Education, Defense, and Health are involved in business activities in various ways. Naturally, the economic ministries oversee a larger number of enterprises. These enterprises usually handle substantial financial transactions, making the appointment of board members and managers a 'sweet challenge' for cabinet ministers. The process of hiring and firing is certainly not without controversy. Sometimes, in order to manage political relationships, a competent manager may be replaced by an 'Aghazadeh' (a cleric's privileged offspring), and the transfer of an enterprise's resources from one bank to another can have various financial and political attractions. The result of this management style is the depletion of both the financial and human resources of these enterprises, leading to their deeper entanglement in the quagmire of mismanagement and inefficiency. It is no surprise that President Rouhani, in one of his speeches, criticized his ministers for breaking their promises to privatize state affairs. He said: 'At the start of the government, all ministers make promises, but after some time, it seems that holding onto power becomes enjoyable, and they begin to make excuses and justifications to avoid letting go.' In the discourse of good governance, the duties of the government are clearly defined, and the boundaries of its activities are well established. Naturally, the most important roles envisioned for the government within the framework of good governance are maintaining security, protecting the rights and freedoms of citizens, and to some extent, providing education and healthcare. That is, the government is ultimately responsible for supplying public goods to society. However, we are now faced with

a government that recognizes no boundaries for its activities. It sets prices, acts as a producer, controls distribution, and worse yet, it generates wealth itself. this sprawling presence of the government in the country's economy not only consistently leads to resource wastage, but also results in widespread corruption within the administrative system and the distribution of economic privileges. In such an economy, a state-appointed manager brought in based on political considerations takes maximum advantage of their short tenure in office, it sees an opportunity to obtain economic corruption. Similarly, instead of striving for profit through merit, an economic actor allies with political forces and power circles to secure unearned privileges. in such an environment, no one is willing to reform the economic structure, and the system of patronage continues in the worst possible way.

### **Efficient management and economic efficiency factor**

Productivity is an issue that has been given attention since the third Development Plan but in several plans it was stipulated that out of the targeted eight units of economic growth, two and a half units or one-third should be achieved through productivity. This is while, in all previous plans, the maximum productivity growth that actually occurred barely reached one unit. on the other hand, the performance of productivity in the five-year plans shows that, if full productivity were achieved, a significant level of economic growth could be attained through it. However, it must be understood that productivity in the country's private sector is also not in line with expectations in other words, productivity is unsatisfactory across all economic sectors. If sufficient productivity existed in the private sector, for instance, there wouldn't be such a high number of bounced checks. currently, in developed economies like the United States, where there is full employment, economic growth is expected to come from increased productivity. In contrast, in an economy like Iran's, achieving the targeted growth requires both increased investment and

improved economic productivity. The latter has received more attention in recent years, as the productivity rate in Iran is at its lowest possible level. To increase economic productivity, several key points must be considered. The first key factor is the skill and training of human resources, since productivity in this area originates from human capital. If these resources are to be productive, they must be skilled, which requires proper training. In this context, management also plays a crucial role. The weakness of management within Iran's administrative system (including the public, private, and quasi-governmental sectors all levels of the economy) has reduced productivity and become a problem for the country's economic system. In other words, beyond the workforce on production lines, a significant part of Iran's productivity issues stems from how businesses are managed. Therefore, a transformation in economic productivity must begin with reforming Iran's economic management system. Two simple examples can help explain the issue of productivity. Iran has around 60 airports, but in practice, 90% of flights are conducted from just 20% of them. The remaining 80% of airports handle only 10% of the flights, which illustrates the severe lack of productivity in the country's aviation sector. Similarly, in most government organizations, the best software and hardware systems are used, but the output is not in line with the level of investment, meaning productivity is at a minimum in these areas as well. Today, Iranian universities have hundreds of thousands of graduates in fields that have no place in the Iranian market, and as a result, the employment of graduates is reduced, which is a sign of the weak productivity of the country's educational system. There are many examples like these, but if Iran's economy is to break out of this vicious cycle of stagnation, one of the missing links is solving the productivity issue. A key starting point would be improving the productivity of the country's management system through the selection of efficient and competent managers.

## **What Gross Domestic Product doesn't tell you about the Economy**

There is a strong correlation between GDP growth in a society and the reduction of poverty, especially extreme poverty. A "high" Gross Domestic Product (GDP) aims to track the size and growth of an economy, but it does not tell you about the quality of people's work in a country. GDP measures the value of goods and services produced within a country's economic borders during a specific period. GDP is measured by national governments and some international organizations, which primarily rely on government data. These include the International Monetary Fund (IMF), the World Bank, and the Asian Development Bank. Tracking GDP is important because it provides a general assessment of a country's economic situation. In general, when GDP growth increases, it indicates that companies are expanding and more jobs are available. There is a strong correlation between GDP growth in a society and the reduction of poverty, especially extreme poverty. Asia, as a region, has experienced decades of strong economic growth. In the 2011s, it accounted for about 60% of global GDP growth and today makes up over 40% of global GDP. This rapid economic growth has helped lift more than 700 million people out of poverty. However, while rapid GDP growth is associated with poverty reduction, it is also linked to increased income and wealth inequality meaning a growing gap between the rich and the poor, which can affect political stability. Between the 1990s and 2000s, while economic growth increased in Asia and income inequality worsened in four populous countries: Bangladesh, the People's Republic of China, India, and Indonesia. These countries account for nearly 80% of the population of developing Asia. GDP growth is not a sufficient condition on its own, and complementary policies may be needed to address various economic concerns. Although job opportunities have increased in Asia alongside economic growth, many workers still earn too little to lift their families out of poverty. To gain the

benefits of GDP growth while minimizing its negative effects, many governments are pursuing inclusive growth, aiming to ensure that the opportunities created by economic expansion are accessible to everyone, especially the poor. The Asian Development Bank supports inclusive growth by investing in infrastructure that not only promotes growth but also connects the poor to markets and improves their access to essential services. The bank also invests in education, healthcare, and vital public services like water and sanitation, which foster economic growth while directly supporting the poor.

### **Iran's non-oil GDP grew by 3.3 percent**

The economic indicators for the winter of 2016 were published by the Central Bank of Iran, showing that GDP growth, including oil revenues, was 12.5%, while excluding oil, it stood at 3.3%. It is worth noting that the current account balance reached \$16,388 billion, and the trade balance amounted to \$20,843 billion. Meanwhile, exports of goods in 2016 (based on FOB prices) were valued at \$83,978 billion, and imports of goods were \$63,135 billion. By the end of the period, total external debt reached \$8,481 billion, while the average exchange rate of the US dollar in Iran's interbank market stood at 31,389 rials. Given these figures, the growth rate of monetary sector variables by the March 2017 compared to the end of the previous year indicated that: Liquidity grew by 23.2%, - Money supply by 19.3%, - Quasi-money by 23.8% and non-governmental sector deposits by 23.9%.

The Consumer Price Index (CPI) for goods and services in 2016 increased by 9% compared to 2015. Specifically, in March 2017, CPI rose 2% compared to the previous month and 11.9% compared to the same month in the previous year. It is also noteworthy that the Tehran Stock Exchange's overall price index rose by 77,230 units during the winter of 2016. During this period, the value of traded stocks and

preemptive rights was 537.9 trillion rials, and the volume traded amounted to 252.6 billion.

### **Review the serious challenges of developing downstream petrochemical industries**

Comments from a member of the Export Commission of the National Plastics Association on this matter are as follows:

In my opinion, the lack of cohesion among downstream petrochemical producers is a factor that allows the entry of products similar to those produced in the downstream sector of the petrochemical industry. In late July 2017, an analysis of the competitive challenges facing Iran's petrochemical sector was reported. During the 2010s, the disruption of trade with the outside world caused downstream petrochemical producers to lose their strength even further. This situation created a good opportunity for foreign competitors, who have strong production and distribution capabilities, to enter the market. Engineer Jamali, referring to the issue of smuggling and its reduction during the 11th government, added: In my opinion, one of the problems that puts domestic production at risk is the phenomenon of smuggling. However, as government officials also acknowledge, there are still channels through which foreign goods enter the country, and the failure to eradicate this problem creates difficult conditions for all industries. If we examine the machinery used by manufacturing units that produce final or semi-finished products, we see that these units do not have new machinery. In my belief, the downstream sector of this industry alone does not have the power to return to international fields and global markets. For example, if we look at a country like Turkey and monitor its performance, we see that 170 to 180 countries are customers of the petrochemical plastic products of this country. The manufacturing units in this industry even have customers in Europe and export their final products to industries such as automotive,

home appliances, fibers, pharmaceuticals, and more. It seems that laying the groundwork for attracting foreign investment and creating favorable conditions for stock exchange cooperation in financing can help pave the way for globalization. He then referred to the issue of packaging and added: The role of packaging is not merely to preserve and protect products. In today's world, packaging must be designed in a way that provides brief and useful information to customers and can attract them through this means in other words, it should establish communication with the customer. In our country's plastics industry, this issue is not pursued seriously or professionally. Often, our packaging does not compare well with similar goods, and this factor leads domestic and foreign customers to prefer other products. The member of the Export Commission of the National Plastics Association identified the final cost of goods as another important factor in attracting both domestic and foreign customers and said: The final cost of downstream petrochemical products in Iran is high. Despite Iran having a larger labor force and cheaper energy compared to other countries, due to low productivity, they are unable to reduce the final cost of their goods. Another method used by manufacturing firms in developed countries is economies of scale. However, in our country, downstream petrochemical production units are so small and fragmented that they produce low volumes and are forced to increase the final cost of products. In other words, they must spread fixed costs over fewer products, which causes the final price to rise leading to reluctance from both foreign and domestic customers to buy. Jamali, addressing the resolution of this issue, said: By merging small producers, forming production and export consortiums in other words, fostering participation and cooperation among various sectors this problem can be largely resolved. Naturally, once this issue is addressed, we will witness the growth of this sector of the industry. However, under current conditions, the lack of cooperation, lack of team spirit, and



cultural weaknesses present in the workplace lead us to bear the consequences of these deficiencies.

### **The hidden loop of price fluctuations in the distribution of agricultural products**

An analysis of retail price trends for agricultural products during the years 2011 to 2016 indicates consistent fluctuations in the retail market over those years. These fluctuations suggest that the entity responsible for market regulation has failed to perform effectively in managing the distribution and transfer process from producer to consumer due to a lack of oversight across the "1+4 hidden links." According to a report by the **Institute for Planning and Agricultural Economics Research**, the price trends of 18 major agricultural products over this five-year period show that, regardless of the impact of macroeconomic variables on the prices of agricultural and food products, four main Intermediaries wholesalers, middlemen, brokers, and retailers have had the greatest influence on market price changes. However, the ups and downs of product prices are not solely due to these four groups. Statistical data reveals that another factor the price of substitute goods—also plays a role in these fluctuations. The concept of product substitution implies that the price behavior of a product can be influenced by the price of its substitute. Therefore, any policy made for one product will affect other substitute products, and the extent of this influence depends on how sensitive a product is to changes in the price of its substitute. The findings of this report suggest that in order to regulate the domestic market of agricultural products, at least one link after production, namely "wholesalers," should be placed under the responsibility of the Ministry of Agricultural Jihad.

### **Monetary base of economic growth**

The experience of 48 *developed* and *developing* countries challenges a common assumption in economic discussions. According to the experience of these countries, whether an economy is bank-based or market-based does not have a direct relationship with economic growth. Instead, what matters is the efficiency and development of the financial sectors—whether they are banks or capital markets. According to the findings of this study, the primary foundation for economic growth is the existence of a transparent and well-structured legal framework in both the capital market and the money market. Such a framework can positively influence financial development, which in turn provides the necessary groundwork for strengthening economic growth. The results of a study that examined 48 developed and developing countries show that being bank-oriented or market-oriented does not have a direct effect on economic growth. What truly matters is that the financial sectors, whether banks or capital markets, are well-developed and efficient.

### **The main obstacles to the development of non-oil exports**

In their 35th meeting held in early August 2017, members of the Tehran Province Dialogue Council discussed the barriers to export development and potential strategies to boost export statistics. The outcome of the members' discussions indicates that the unrealistic exchange rate and the lack of adjustment based on inflation, high-cost financing, expensive transportation, weak competitiveness of goods, and insufficient engagement with neighboring countries are among the main obstacles to the development of non-oil exports. In this context, the Iran Chamber of Commerce examined the potential for export growth under four different scenarios.

### **1-An analysis of the historical roots and failures of the private sector**

According to statements made by the former president of the Iran Chamber of Commerce in August 2017: State-owned and government-affiliated enterprises have been structured in a way that suffocates the private sector. We handed over state-owned businesses to institutions and companies that are now accountable to no organization or authority. Monopoly-driven enterprises prefer that we always remain in conflict with the global economy. There are five historical reasons why the private sector in Iran has never fundamentally taken shape: The first reason is oil, which has made the government unnecessary for the private sector to play a role. The second reason is related to the way the country is governed. The third reason is political and security. The fourth reason is rooted in political economy and resource distribution, and the fifth reason is cultural. oil-driven enterprise has led governments to feel no need for a strong private sector, and due to inefficient governance mechanisms, the private sector has effectively been denied the opportunity to grow. Iranian governments have always feared the empowerment of the private sector and have preferred to form and manage a dependent private sector instead. Furthermore, the public has historically placed its trust in the government, for various reasons, and continues to do so. As a result, any policy aimed at expanding the private sector has effectively led to its further restriction. For instance, Article 44 of the Constitution was revised to allow more freedom for private sector activity. However, in practice, it did not benefit the private sector. Similarly, privatization efforts have often harmed the private sector, and instead strengthened quasi-governmental entities. No one is against privatization everyone is against the way it is implemented. There is near-universal consensus that Iran's economy has reached a state of disorder and anarchy. since the early 1990s, privatization has been a major policy theme, and hundreds of companies have been transferred. But according to the General Inspection Organization of Iran, the real private sector's share in this process has been almost zero. The result is that in Iran's monopolistic firms, both the geography of trade

changes and firms enter the economy in which the monopolistic firm cannot compete. monopolistic enterprise fears competition because it is deeply inefficient ,it lacks productivity and its survival depends entirely on monopoly, monopoly is undoubtedly harmful, whether it is state-owned or private. In fact, private-sector monopolies might be even worse. It is true, as critics claim, that parts of Iran's private sector are rent-seeking and dependent on government support. However, even this rent-seeking and support-seeking private sector is now caught in a restrictive business environment, and its main demand today is economic liberalization and business facilitation. Interests are conflicting. What should the Chamber of Commerce advocate for? - Some members believe the Chamber should have bargaining power in resource allocation. Others argue it should demand genuine economic reforms in the country. I personally believe that liberalization should take priority over any other structural reform in Iran. I strongly support a realistic exchange rate and believe that until the exchange rate is adjusted, no positive change will happen in the country. I am an advocate of competition and believe that the government's support frameworks need to be redefined. Certainly, some members within the Chamber of Commerce oppose these views.

### **Reasons for the backwardness of Iranian economic enterprises**

According to a report by the media outlet *Donya-e-Eqtasad*, changes in the business environment and the emergence of a more challenging atmosphere are threatening the survival of economic enterprises. Under such conditions, businesses have no choice but to pursue the path of creating and maintaining sustainable competitive advantage. Expert analyses indicate that Iranian enterprises have lagged behind in this regard, particularly when compared to companies in industrialized or even newly industrialized countries. *Donya-e-Eqtasad* published a research report in August 2017, which examined the causes of this lag at three levels: 1-Time

conditions, differences and temporal characteristics of enterprise development, 2- Internal organizational challenges within the business environment, 3- Government policies affecting economic activities. A comparison and evaluation of the status of Iranian enterprises with global business models from industrialized and newly industrialized countries clearly shows that Iranian businesses are behind the global business model standard. Based on field and statistical research, the business models of Iranian enterprises can be analyzed across these three levels. The findings prompt us to ask: Is the failure of Iranian enterprises to meet global production standards a result of temporal conditions and developmental timing differences? Or are there internal structural problems within Iranian businesses that explain their lack of success? Or perhaps, is the business environment and government policy to blame, by obstructing Iranian companies from entering global markets and progressing through the necessary stages of growth and development? This report, while outlining the shortcomings of Iranian companies compared to the standard practices of advanced and late-industrialized firms, attempts to evaluate the reasons behind the failure of Iranian companies. The causes of underperformance in the production and marketing sectors, after consolidating and removing overlapping factors, have been categorized under seven main headings:

1-Government policies based on import substitution. 2-under development of industry and enterprises. 3-Lack of competitiveness. 4- Technological weaknesses. 5- Absence of collaborative networks (value chains). 6- Small scale of production, and - Marketing problems.

Before diving into these factors, it is important to briefly consider the patterns of business models in Iran's production and marketing sectors. The research report titled *"Development Models of Business in Iranian Industries"*, published by the Institute for Trade Studies and Research, examined reasons for underperformance

and proposed solutions for bringing the operational environment of Iranian businesses closer to global standards. One major challenge identified is government policy with an import-substitution approach, which includes:

-Lack of integration with the global economy, - Government subsidies and protections, - Lack or weakness of facilitating and supporting institutions, - No state guarantees in contracts, - Inadequate legal infrastructure, - Numerous and sometimes contradictory laws, - Rapid legal changes, and Policy-making that creates rent-seeking (special privileges) in the business environment.

Additionally, the underdevelopment of industry and businesses is another key barrier. This area suffers from:

1-Traditional production approaches and the absence of a development-oriented mindset, 2 - Low productivity and inefficient resource use, 3- Lack of long-term entrepreneurial vision and short-term, exploitative strategies instead of innovation,4 - Limited process development and resistance to updating production systems, 5- Reluctance to monitor key and emerging technologies,6- Slow optimization of processes, 7- Neglect of continuous improvement in product development.

Regarding “lack of competitiveness”, several challenging factors are highlighted:

-Focus on domestic markets and, at most, neighboring countries, - Limited familiarity with global market trends, - Low capacity of firms to keep up with international markets and their limited presence in foreign markets, - Low competitiveness and innovation in designing new products or implementing significant changes, - Low competitiveness of manufactured products due to high production costs and lack of innovation, - Lack of focus on reducing production costs through proximity to resources, consumer markets, and transport infrastructure, - Neglect of global market trends and technology shifts, and High investment risks.

Furthermore, the report also identifies “underdevelopment of industry and enterprises” as a significant cause of business underperformance. This is attributed to: - Traditional approaches to production and lack of a development-oriented strategy, - Low productivity and inefficient resource utilization, - Absence of long-term entrepreneurial vision and a short-term, exploitative mindset instead of an innovative one, - Limited development of processes and resistance to regularly updating production systems, - Unwillingness to monitor key and emerging technologies due to industrial underdevelopment, - Slow progress in process optimization, and Disregard for continuous improvement and product development strategies.

Weakness in technology" is also among the listed reasons for business underperformance. Specific issues include:

-Slow technological development and lack of adoption of up-to-date global technologies, - Absence of stable relationships with technology owners and lack of continuous linkage to key sources of technology, - Technology owners' unwillingness to cooperate or invest with Iranian businesses, - Limited efforts to understand the various dimensions of technology, - High costs of upgrading production processes and continually implementing new technologies, - Limited interaction with research institutions, - Incomplete transfer of knowledge and technology, and Low human resource capability in using transferred technologies.

Regarding "small-scale production", it is cited as another reason for business underperformance. Challenges here include:

-Limited domestic market due to low competitiveness, - Restricted export markets, mostly neighboring countries, - High production costs and low efficiency due to small production capacities, - High costs of adopting new technologies compared to

the low scale of production, - Lack of economic justification for designing systems and processes based on modern technologies at such small scales, and adapting current business structures to limited market sizes facing producers.

Reasons for failure in the technology sector. in addition to these, marketing challenges are also highlighted, such as:

-Limited product variety and embedded technologies, - Greater focus on production rather than investment in marketing and distribution, - Limited financial and human resources for continuous monitoring of domestic and international markets, - Low motivation among Iranian firms to interpret market data and identify the best ways to connect with customers, - Delayed product delivery to customers,- Lack of cooperation between production and distribution networks, and Legal and regulatory issues in entering foreign markets.

### **Reasons for failure in the technology sector**

The prevailing conditions in the business environment and the country's economic structure, the high risk of investment in the industrial sector, and the failure to transfer and attract new technologies and foreign investment are key issues. According to assessments, one of the reasons for the lack of success of enterprises in terms of technological capabilities includes: macro-level government policies, lack of ongoing engagement with technology owners, small-scale production, and neglect of research and development activities. Among the factors linked to **macro government policies** that have contributed to this lack of success are:

-Government macro policies. - Lack of integration with the global economy. - Non-targeted and untimely government subsidies. - Market instability due to sudden decisions. - Lack of a consistent and win-win collaboration framework for engagement with foreign technology companies due to political conditions,



numerous and sometimes contradictory laws, and frequent legal changes. - Weak and inconsistent interaction with technology holders and research centers.- Limited understanding of technology and its trends among Iranian firms.- Limited efforts by firms to develop technology.- High cost of acquiring specialized knowledge and lack of economic justification for doing so.-Limited technical, scientific, and financial capacity to engage in advanced R&D.-Weak human resources in utilizing modern sciences and technologies.-The small scale of production is also tied to factors such as: -Focus on the domestic market and lack of appropriate infrastructure for exports

High production costs in the country. - Low product innovation due to the high cost of R&D, with R&D results failing to lead to innovation or the production of high value-added, competitive products. - High costs associated with changing production lines and implementing research results. - Focus on existing products with limited development programs. - Neglecting research and development activities is another key reason for failure mentioned in this section.

This includes problems such as: - Shrinking scope of R&D departments. - Failure to use R&D capacity to expand the frontiers of knowledge. - Weak identification and development of applicable areas. - Failure to convert applied knowledge into manufacturable products. - Inability to implement many R&D outcomes.

### **How to overcome challenges**

Given the problems that have arisen, policy recommendations have also been considered at both the enterprise and government levels to address these challenges. Accordingly, at the government level, efforts should be made to facilitate conditions and remove accessible barriers to deepen Iran's commercial and financial integration with the global economy. Reducing tariffs and allowing easier entry for foreign competitors into the country thereby eliminating the non-competitive safe margin

enjoyed by domestic enterprises is another point that should be considered in addressing business challenges. Furthermore, government intervention should be anticipated in cases of market failure, such as the fair distribution of informational and financial rents (Special financial privilege). Reforming laws and intermediary regulations between businesses and public policy-making institutions to resolve contradictions and lack of comprehensiveness is another important area that needs attention to help solve the challenges faced by production enterprises. In addition to the steps that should be taken at the government level, measures should also be implemented at the enterprise level. These include: - Developing competency models focused on the continuous improvement of productivity with a long-term perspective. - Moving away from an exclusive focus on domestic market-driven quantitative goals and working toward gaining a share in international markets. - Organizing training sessions to raise awareness of the benefits of documenting experiences and how to do so. - Standardizing all administrative and operational processes. - Using all available tools to strengthen networking within the enterprise and facilitate knowledge dissemination and flow.

Moving toward the integration of the product value chain with the aim of reducing production costs, improving quality, and increasing competitiveness establishing managerial stability, considering the speed of environmental changes and focusing on new capacity building and production development rather than solely on annual financial balances and profit maximization, shifting away from authoritarian management styles and adopting structured programs for training and developing managers, paying greater attention to the need for organizational structures aligned with enterprise needs and strategies, and placing more emphasis on the complete separation of ownership and management are among the key points highlighted.

On the other hand, based on the identified challenges, policy recommendations have also been proposed to help address these issues. These include:

- Purposeful integration with the global economy by aligning domestic trade laws and regulations with those of the World Trade Organization (WTO).
- Expanding membership in bilateral and regional trade arrangements with effective and targeted liberalization.
- Targeting national industrial and trade policies.
- Developing export-related physical and institutional infrastructure to enable active participation in global markets.
- Facilitating engagement with technology-owning companies and institutions.
- Enabling participation in global production value chains.
- Creating a supportive environment for attracting investment aligned with industrial policy.
- Drafting plans to scale up production in industrial activities.

However, the twelfth government did not pay any attention to these economic recommendations in order to solve the challenges.

### **The Cobra snake Effect on the Iranian Economy**

When India was a British colony, the number of **cobra snakes** in Delhi (the capital) became so high that the British authorities decided to offer a cash reward to anyone who hands over the dead cobra snakes to the government. This incentive quickly spread among the poor people of Delhi, and hundreds of dead snakes were soon piling up daily at the reward collection centers. However, over time, the number of cobra snakes being turned in kept increasing not because people were catching more wild snakes, but because, they had started breeding cobras to kill them and claim the reward. This is a clear example of poorly designed government interaction with the public!! This story is often cited as an example of the "Cobra Effect" a situation where an attempted solution to a problem actually makes it worse due to unintended consequences.

### Strategic conclusion:

Everyone knows that one of the biggest problems in our country is the lack of sufficient jobs. Creating employment, however, depends on increasing production. So why have the years of national development programs involving low-interest financial loans to various sectors never yielded the desired results? Because instead of being directed into the production sector, these loans were spent on buying new cars, constructing buildings, purchasing gold, dollars, and similar assets. After a while, the money in people's hands got spread across various markets, paving the way for increased imports of foreign goods and the closure of domestic production workshops. A plan that was originally designed to eradicate unemployment ironically became a factor in increasing unemployment in the country. Why?

Because such plans lacking proper scientific and theoretical support and without considering possible side effects were implemented solely based on a short-sighted or expedient decision.

### **Iran's missed opportunity in Davos**

The 48th Annual Meeting of the World Economic Forum, with all its political and economic controversies, concluded on Friday, January 26, 2018, in the global village of Davos Switzerland. Although the event attracted attention due to the controversial presence of Donald Trump, this political figure was not able to derail the institutionalized and well-established direction of the summit. Business executives, economic activists, and experts especially during the informal and behind-the-scenes events, which were often more important than the official sessions continued with their negotiations and consultations, largely ignoring the political maneuvers of statesmen and politicians. Most likely, they left the summit with valuable outcomes in hand. While the summit concluded with all its side stories and contributions to the

global economy, a pressing question remained unanswered in the minds of Iranians: Where was Iran's position in this summit? Why was Iran absent from such an important international gathering and why has this absence continued for several consecutive years? Presumably, there were certain "interests" or "considerations" that led the then government and decision-making bodies to conclude that Iran should not officially participate in the Davos summit. But why should Iran's international relations be in such a state that non-participation becomes the preferred or "appropriate" course of action? One must ask: What actions did Iran's foreign policy apparatus take during the 2010s to improve international relations and create the conditions for attending major international summits and events? In fact, during the second half of the 1990s, Iran had an active and influential presence at Davos even at the presidential level. However, from the mid-2000s to the late 2010s, this presence diminished, becoming minimal and weak, marked by indifference and neglect. Was there truly any interest greater than this that, under the circumstances, Iran could actively and effectively participate in international forums to help lift both formal and informal restrictions surrounding its economy? Couldn't an active presence at the Davos summit have served as a first opportunity to showcase the new structure of the Ministry of Foreign Affairs? Not only did Iran's diplomatic apparatus fail to attend the Davos summit despite prior announcements, but there was also no sign of participation by Iranian representatives, government or private-sector managers, or economic and trade stakeholders. Iran could have, by attending this summit at the highest political level and accompanied by a delegation of company executives and economic players coordinated efforts both in formal sessions and on the sidelines of the event to change perceptions about Iran, present the country's economic potential, and gain the trust of policymakers and global business leaders. Iran's absence from this important event not only meant losing an opportunity to reduce economic and trade restrictions and re-engage with the global

economy, but also gave rivals and adversaries a platform to act freely on both political and economic fronts. Regional competitors, in particular, took advantage of Iran's absence to discredit the country and undermine the nuclear deal (JCPOA). With an effective presence, Iran could have not only countered this anti-Iran narrative, but also taken an innovative approach toward softening international sentiment toward itself.

### **Shifting from crony capitalism to a people's economy**

The government is one of the sectors that is influenced by the country's fundamental decision-making system. Therefore, cabinet changes must be viewed from this perspective. The current economic problems of the country have reached a point where improvement is only possible through a serious shift and structural reforms. a shift from Crony and Robbery capitalism to a people-centered and just economy.

The government should try to put the market at the service of the people and put an end to the current mismanagement. This situation is not merely about whether it is the government or any other institution in charge, but about something that affects the core economic decision-making system of Iran. This system, which is sometimes also referred to as the government, holds influence in resource allocation. This system is not limited to the economic ministers of the cabinet, but the executive branch also plays a direct and indirect role in shaping Iran's economy. The historical roots of this model, which still governs Iran and has become more entrenched, go back to the Qajar era. Over the past decades, these relationships have become more complex and are now referred to as crony capitalism. Iran's economy is heavily dependent on windfall mineral resources. These windfall resources are so called because they are not the result of a specific productive foundation. The distribution of such resources in an economy like Iran's is very important. In fact, it is precisely the misdistribution of these resources that has damaged the country, and it requires

a sector that is labeled "private" in Iran, which is actually a major factor in the dominance of crony capitalism. Two groups of insiders in this sector have acted in favor of the productive class, and a real private sector exists that, ironically, includes only a small portion of those who consider themselves part of the private sector. On the other hand, the majority of these individuals are those who, are within the corridors of power, direct the laws and regulations in such a way that they can influence the decision-making system, and by maintaining their past connections with this system, they safeguard their own interests. Moreover, some of these individuals move toward government positions, creating a constant revolving door between this sector and the power structure a phenomenon referred to in political economy as the "revolving door." One of the main problems in Iran's economy is that a genuine industrial private sector never truly takes shape and constantly faces very serious obstacles. This is again related to the country's fundamental decision-making system, which in Iran always prioritizes short-term interests over long-term benefits. It operates within a cycle based on financial corruption and debt dealings, where short-term income yields the most gains from this insecure cycle gains that provide no long-term security. As a result, those involved in this coalition are identified as participants in a predatory economy. that is why, in economic literature, they are described as looters of a nation's resources for their own profit. The function of this system serves as short term interests of corrupt individuals especially the lower classes are manipulated and its victims are the general public. Over the past four decades, different governments have taken charge, and regardless of the slogans they presented, they engaged in various forms of cooperation with this system. In practice, these relationships were not only preserved but even strengthened. The outcome of this unholy alliance in Iran has been economic inefficiency and its social-political consequences: severe erosion of social capital, stemming from the workings of crony capitalism, which has now become another major problem for Iranian

society. This erosion could turn into a serious threat to the entire system. Therefore, what the government must now be held accountable for is essentially how to rebuild social capital. And in this regard, the entire decision-making system must be held accountable as well.

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## Chapter 4

### **Financial irregularities and economic corruption in 9<sup>th</sup> and 10<sup>th</sup> governments**

Corruption is fundamentally a social affliction within society, and in this regard, it seems that the government must, first and foremost, be governed by the rule of law. When we speak of a law-abiding government, it aligns with the idea that corruption originates from lawlessness whether due to a lack of laws or the presence of laws that are not properly enforced. Lawbreaking should never be seen as a badge of honor or a sign of power and dominance. Rule of law means the government must operate within a legal structure and system. To achieve this, filling positions within this system must be done through strict legal selection processes, including entrance exams conducted by a neutral organization. In every sector of this system, individuals must go through equal legal procedures and earn legitimate credentials, so they may reach decision-making and management levels based solely on merit and expertise, without any discrimination. Being governed by law also means that corruption must lead to prosecution, investigation, and punishment, especially in cases related to tenders and auctions. Corruption arises from lawlessness and discrimination, which enables unqualified individuals to obtain illegitimate and inappropriate benefits. Corruption is also bred from marginalizing legal institutions for example, institutions responsible for planning, budgeting, and monitoring national expenditures. When such lawful organizations are absent, billions are spent irresponsibly. In such circumstances, corruption begins with nepotism employing spouses, children, relatives, and acquaintances in inappropriate roles with public salaries and benefits. It continues with appointing people to leadership positions based on personal relationships rather than merit, solely due to family ties. Corruption arises from confusing public funds with personal wealth, such as

organizing large entourages hundreds of irrelevant individuals for international trips, and eventually extends to granting and receiving privileges (rent-seeking), which here refers to exploiting unfair advantages. Corruption persists when criminals and offenders remain immune and unpunished. In this case, according to legal experts, economic corruption trials must be made public. Whether a person is convicted or acquitted should clarify matters for the public. As long as these rights are not restored meaning newspaper owners and media representatives are not allowed to act as public defenders on behalf of the people, exposing economic corruption while maintaining neutrality, informing officials, and worrying law breakers corruption will persist. As long as criminals and lawbreakers believe they can accumulate illicit wealth under the protection of financial non-transparency, and as long as the flashy signs of such illegitimate wealth and nouveau riche lifestyles are revealed with delay, and there is no proportional relationship between corrupt individuals' wealth and the taxes they pay or the return of national assets, the fight against economic corruption will remain tangled and ineffective. This will, in turn, create further opportunities for new forms of corruption. We must understand the complex paths through which corruption operates, so the road to fighting the corrupt becomes smoother and their hands can be cut off from the public treasury. According to a professor at the Faculty of Economics, privatization alone is not the solution to fighting economic corruption. It seems that there still lacks the necessary clarity and willingness to confront and dissect corruption. Issues raised by some experts often focus more on the symptoms rather than the root causes—whereas identifying the causes is vital in dealing with financial corruption and the government's response to it. A general public movement must be initiated, involving people's participation. Fighting any kind of corruption is meaningful only with public involvement, and it restores trust in society and among economic players. The question is: Is the public sector solely responsible for this corruption? (Although the government can certainly

be partly responsible), the private sector can also be responsible for major corruption. In the 2000s, large financial resources were squandered under the banner of privatization by responsible individuals, and although much evidence was presented regarding these issues, state-affiliated media turned a blind eye. Today, some officials—such as the former Minister of Petroleum—are speaking out about the illegal contracts involving Babak Zanjani, pointing out that a huge sum of money was unlawfully transferred abroad with the signature and approval of the then Central Bank governor and ministers of the 10th administration, yet no one raised objections during that period. One official has even stated that about \$22 billion was taken out of the country under the pretext of regulating the currency market, and not a single rial returned. These instances clearly reflect the official misappropriation of public financial resources, yet still no serious response is seen from oversight bodies in the country. In countries with lower levels of financial corruption, even a report by a journalist or a reporter would immediately lead to the interrogation of the responsible official, and the accuracy of the media's claim would be investigated. However, in Iran, official statements about financial corruption involving sums as large as \$22 billion are met with silence. Fighting financial corruption is not just about arresting a fraudster; it is about eliminating behaviors that increase the cost of financial transactions. As long as major economic projects are awarded to contractors without public tenders, and as long as government officials continue to establish quasi-private companies, this trend of growing economic corruption in the country will persist. According to the writer, flawed economic policies, weak legal frameworks, lack of civil liberties, absence of meritocracy, weak oversight, inefficiency, and regulatory inflation are the main causes of economic corruption and rent-seeking in the country. In countries where governments adopt economic enterprises for themselves, the conditions are ripe for the growth of financial corruption. In such countries, economic programs lack transparency, and officials

are not held accountable. This environment is favorable for the growth of rent-seekers, and when corruption and rent-seeking become embedded in the economy, the motivation for honest effort among the public is lost, and ethical economic actors are pushed toward bankruptcy and isolation. Regarding rent and rent-seeking, we draw readers' attention to an important point. According to an economist, in order to eliminate rent from the economy, the market, and other sectors, the issue must be addressed at its root to prevent its reemergence. To succeed in eliminating rent, a comprehensive view is required. Rent-seeking is systemic, and this trend must be reformed within society. In reality, multiple factors work together to create rent-seekers. Thus, we are dealing with three components: the rent, the rent-creator, and the rent-seeker. These three form a system of rent and financial/economic corruption, where the rent-seeker is only the final link in the chain. but the most critical part of this system is the "rent-creator", which is the missing link that unfortunately has received little attention so far. The rent-creator sets up the system in which rent-seeking takes form. For example, if a flu virus spreads and healthy individuals enter the hospital, they too will get infected simply by being in that environment. Therefore, the first step must be to fight the virus itself to prevent the outbreak. Similarly, in this issue, those in charge must confront the rent-creator. It is important to understand what kinds of environments lead to rent-seeking. One part relates to the business environment if that environment is not transparent, rational, and rule-based, then it creates opportunities for rent-seekers. Another key point is that decisive action in regulation and authority is essential. Unfortunately granting full authority and signing power to one person in a matter can lead to corruption, including banking corruption.

Therefore, the authority of managers must be revised and restructured so that large-scale loans are no longer granted. Another important issue is the granting of licenses.

The licensing system for applicants must be transparent, and access to information should not be monopolized. Monopolies in any form are unacceptable, because they allow certain groups to dominate tenders and auctions, which creates opportunities for rent-seeking and corruption. With the rise in embezzlement and financial corruption cases in the banking system, government offices, and public institutions during the 2000s, the role of oversight and inspections to prevent such crimes became the missing link. Embezzlement emerged as a widespread phenomenon over the past decade, but interestingly, the first documented embezzlement in Iran goes back over 80 years, and it was committed by a man named Teymourtash. Abdolhossein Teymourtash, known as Sardar Mo'azzaz ol-Molk and Sardar Khorasani, was a courtier during the Qajar and Pahlavi dynasties. He was among those who played a key role in overthrowing the Qajar dynasty and bringing the Pahlavi to power. According to historical records, during Reza Shah Pahlavi's rule, he became the first Minister of the Royal Court and played an influential role in Iran's foreign policy. In his career, Teymourtash held several key positions, including representing the people of Khorasan in the second and third National Consultative Assembly, continuing as a member until the sixth parliament. He also served as Minister of Justice in the cabinet of Moshir ol-Dowleh. In 1922 he was appointed governor of Kerman and Baluchestan Provinces, and later became Minister of Commerce in Reza Shah's cabinet. He grew very close to Reza Shah, and after the Pahlavi came to power in December 1925, he was appointed as Minister of the Royal Court. In 1926, he attempted to resolve disputes between the Soviet Union and Iran and traveled to Moscow as Iran's representative in August 1926 to negotiate commercial contracts and resolve conflicts with the Soviet government. However, these efforts brought no success to Iran. In 1929, following tensions between the Anglo-Persian Oil Company and Iran, during which the company's managing director proposed extending the Darcy's contract, Teymourtash

accompanied Mohammad Reza Pahlavi (who was studying in Switzerland) on a political mission. There, they held discussions with the British foreign minister and other government officials, but again, the talks produced no significant benefit for Iran. Teymourtash's failure in oil-related matters, along with his secret meetings with Soviet leaders on his return from a trip to the UK, and reports in British newspapers about his extravagant spending from the royal court's budget and taking out large loans from banks and various individuals, significantly led Reza Shah to become suspicious of him. That same year, Teymourtash's embezzlement case came to light in collaboration with the German head of Bank Melli, during a currency exchange transaction, which was exposed by Hosein Qoli Navab, the deputy head of the audit office. In the same year, Vokil ol-Molk Diba, the head of the court's accounting department, who had become close to Teymourtash, was dismissed by Reza Shah after being tried in court. In 1932, Teymourtash was suddenly arrested, removed from his position as Minister of the Royal Court, and sentenced in two separate trials to 3 and 5 years in prison, along with a fine.

During the presidency of the ninth and tenth governments (the Ahmadinejad era), due to the lack of strict oversight on economic activities particularly banking operations, numerous financial and economic corruption cases occurred in the country. One prominent example is the embezzlement by the head of Bank Melli in 2011, where the then head of the National Bank, Mahmoud Reza Khavari, in collaboration with the CEOs of several other banks and a businessman named **Meh-Afarid Amir Khosravi**, embezzled **3 billion US dollars** (widely known as the "3,000 billion toman embezzlement scandal"). Khavari, using his influential position, obtained fake billion-toman loans in the name of the **Ahvaz Steel Company** and, under the pretext of an overseas mission, fled Iran and migrated to Canada in 2011. Another incident that took place in the same year was a 7billion

dollar embezzlement in one of the industrial companies in **Tabriz**, the details of which were never fully disclosed by the tenth government and still remain shrouded in mystery. However, the **3billion dollar embezzlement** (approximately 3,000 billion tomans), commonly referred to as the "Great Corruption Case," was carried out by Mahmoud Reza Khavari, the former CEO of Bank Melli and Bank Sepah. As mentioned, he fled to Canada in 2011, while his associates remained in Iran, were arrested, and put on trial multiple times. One of the main figures in this case, **Meh-Afarid Amir Khosravi**, was one of Tehran's wealthiest businessmen and property owners. According to a report by the Iranian newspaper named *Iran* in November 2013, he owned 39 houses and shops worth over 40 billion tomans in Tehran and Karaj, and many of his other properties were mortgaged to banks such as Bank Melli, Bank Mellat, and Bank Parsian. On November 19, 2013, the judiciary announced that the second batch of Amir Khosravi's properties 27 residential and commercial properties and lands valued at over **98 billion tomans** were to be auctioned via public announcement in a widely circulated newspaper. Eventually, following several public trials, Meh-Afarid Amir Khosravi was convicted as the primary defendant in the major financial and economic corruption case and was sentenced to death. According to major Iranian newspapers, the second to fourth main defendants in this case also received death sentences.

It was reported that the number of defendants in this economic corruption case was around **32 people**. Ultimately, the primary defendant, **Meh-Afarid Amir Khosravi**, was executed on **May 24, 2014** (3rd of Khordad 1393 in the Iranian calendar), in accordance with Islamic Penal Law. Meanwhile, **Khavari** was still residing outside of Iran. Another case was announced by the Tehran Prosecutor in 2012, involving a 450 million Euro economic corruption file related to the construction of international halls in Kish Island. However, the trial of the group's members was not made public

by the government at the time. In the same year, there was another 7 billion dollar corruption case related to the Tabriz Steel Company, which also remained largely undisclosed. According to the economic desk of the *Iran* newspaper in autumn 2013, although Mahmoud Ahmadinejad came to power in 2005 with slogans of justice and anti-corruption, statistics on violations during his eight years of leadership indicate a severe failure in this area. The scale and value of corruption during his administration were greater than those of previous governments. During the late 2000s and early 2010s, violations occurred that will not be forgotten in history, especially the 3 trillion toman embezzlement scandal and violations in the privatization of state-owned companies. A special commission overseeing the implementation of Article 44 of the Constitution reported that the main violation of the Ahmadinejad administration based on data from the Privatization Organization was that only 6% of shares of privatized companies were transferred to the real private sector, while the remaining 94% were granted to quasi-governmental sectors. Furthermore: 7% of the transfers were gradual -93% were block transfers- Around 34% were done through the stock exchange- 18% through over-the-counter (OTC) markets - And the rest were conducted outside of formal procedures. Aside from these cases, in the final days of the 10th government, more serial violations came to light, each causing significant damage to Iran's economy. Among them was: a 1,800 billion toman violation in the National Copper Company, where instead of depositing the revenue into the government account, the amount was transferred to the personal account of the CEO. In this case, the company's pension fund was dissolved, and a person identified as "A.P." established and sold a foreign company, transferring the embezzled amount into that account. Another major issue was Iran's oil revenues, which ended up in the pockets of certain private oil brokers. A blatant violation occurred when a portion of Iran's oil exports was handed over to middlemen. This happened after the Ministry of Petroleum's International Affairs



Department issued a new directive that removed the requirement for oil buyers to own refineries, opening the door for brokers to enter the oil trade. Among the most well-known of these brokers was Babak Zanjani, who gained access to Iran's oil revenues during the tenth government (Ahmadinejad era). As a result, Zanjani's \$2.8 billion corruption case was investigated through violations involving both the Ministry of Petroleum and the Judiciary. Another case related to Babak Zanjani in 2012 involved the Social Security Organization. At the time, Saeed Mortazavi was the head of the Social Security Investment Fund. According to a knowledgeable source within the organization, a memorandum of understanding worth €5.3 billion was signed between Mortazavi and Zanjani. In this agreement, Mortazavi sold several companies owned by the Social Security Organization to Zanjani at the stock market value of the time, and issued several checks totaling €5.3 billion to him. This was done despite the fact that none of the proceeds from the sale of those companies were deposited into the Social Security Organization's accounts. Eventually, the new board of directors of the organization revoked the agreement in late November 2013 and ordered that all documents and assets in Zanjani's possession be returned. After two years of investigation, the violations by Mortazavi were clarified by the Court for Government Employees, and in November 2014, he was sentenced only to dismissal from public service. Mortazavi was the same judge who had his judicial license revoked due to his controversial conduct. Despite holding important positions, many of his actions tarnished his reputation and career. All complaints against Mortazavi were sent to the Prosecutor's Office, and on November 24, 2014, the General Inspection Organization of Iran filed a formal complaint after reviewing his case and confirming the violations committed by him and his administration. Thus, another official plaintiff was added to the legal case. Another case of financial misconduct was opened involving the Ministry of Energy, concerning the transfer of the Mahab Ghodss Company, in exchange for the government's 100% stake in

the Gorgan railway project. According to the details of the case, Mahab Ghodss, which was the largest engineering consulting company in the country and had been responsible for the design and supervision of major dams on the Karun River, was valued at over 12,000 billion tomans at the time. However, in a questionable transaction, it was transferred to the contractor in exchange for the government's 600 million toman share in the mentioned railway project. It was reported that according to the government's own resolution: - The value of the transferred shares was more than 20 times the advance payment received. - And over 13 times the total actual cost of the Gorgan railway project. Another case involved a violation that occurred before the Shiraz Refinery was privatized. During one of its major tenders, a financial misconduct took place, which led to a legal case being opened following complaints by several officials. The violation concerned the companies supplying raw materials to the Shiraz Refinery. Additionally, the Senior Advisor to the President released documentation regarding financial misconduct by the tenth government (Ahmadinejad's administration) in free trade zones, particularly in the Chabahar Free Zone. According to the report, one of these violations involved the illegal import of 600 Proton passenger vehicles from Malaysia into Iran. The report also highlighted the transfer of multiple buildings and a large number of vehicles to certain institutions and individuals during the final days of the tenth government. Furthermore, based on the same report, In July 2013, through a government resolution, the right to use the same building, along with two plaques from the Chabahar Free Zone Organization buildings, each with an area of 963 square meters, was transferred to the House of Iranians Abroad for 10 years.

Another case of misconduct during the ninth and tenth governments (under President Ahmadinejad) was related to the Mehr Housing Project (Maskan-e Mehr). In 2013, the CEO of the New Towns Development Company announced that the Mehr

housing apartments lacked proper infrastructure and did not meet the minimum living standards for residents. He stated that in constructing the Mehr housing, the Ahmadinejad administration paid no attention to supporting facilities and only prepared the buildings in terms of structure, making them uninhabitable. After President Hassan Rouhani took office with the eleventh government, known as the "Government of Prudence and Hope", in autumn 2013, the Director-General of Mehr Housing and the Housing Foundation announced the halt of construction on 30,000 housing units in towns with populations under 25,000. The reason was the suspension of credit lines for the project. The Minister of Housing also stated that the project was facing severe financial issues, and the Minister of Energy confirmed that there were challenges in securing funding for water and electricity infrastructure. These issues indicated that the Mehr Housing Project, built over eight years under Ahmadinejad, had been a massive waste of public funds due to its poor quality. By late November 2013, members of Parliament's Article 90 Commission were actively investigating numerous complaints and irregularities that had been submitted about the former government and its ministers. According to a performance report by the Article 90 Commission, covering the period from May 27, 2012 to April 20, 2013 published in July 2013 by the parliamentary news agency Khaneh Mellat, a total of 2,092 complaints were received against the executive branch. Of those, 709 fell under the commission's jurisdiction, and 380 were queued for investigation. The truth is, as tensions grew between Ahmadinejad's government and the Islamic Consultative Assembly (Parliament), the president's deliberate defiance of parliamentary laws increasingly drew public and media attention, stirring public concern over the political and administrative turmoil. These disputes and tensions also led to the exposure of numerous violations committed during the ninth and tenth governments. At the same time as the Audit Court's report was published, the President of the Supreme Audit Court announced a 50% budget deficit. This was

while the ninth and tenth governments had earned astronomical revenues from oil sales during their tenure, as compared to all previous eras, due to the sharp increase in oil prices. However, the Parliament's 2012 budget performance report revealed that the government had failed to deposit over \$12 billion in oil revenues into the national treasury, instead using the funds to cover its own budget shortfalls, without submitting a revised budget bill to Parliament a major violation. Additionally, failing to enforce or delaying the enforcement of laws passed by Parliament was another violation by the previous administration. (According to Article 123 of the Constitution, the president must sign and implement parliamentary legislation once the legal process is complete.) Further financial violations committed by the previous administration included: - Failing to deposit 20% of the National Development Fund's gas export revenue for 2010, amounting to \$245 million. - Not paying 50 million dollars owed to the Ministry of Agriculture Jihad. - Withdrawing 30 trillion rials from oil export revenues since 2010. - Using 4.3 trillion rials from the public budget intended for electricity subsidies in 2010 and 2011 to pay direct cash handouts to households. - The disappearance of \$4 billion in surplus oil income that was not deposited into the treasury. - Failure to draft 42 executive by-laws required under the Fifth Development Plan. - Diverting 8 trillion rials from the healthcare budget to fund the Mehr Housing Projects under the Ministry of Roads and Urban Development. - Allocating 150 billion rials for the construction and restoration of religious shrines abroad to the Foundation for the Jurisprudence and Teachings of Ahle -Bayt, in violation of the national budget law. These instances strongly suggest that the tenth government had not only committed widespread and serious violations, but had also shown brazen disregard for the rule of law. According to a report by the newspaper *Iran* on November 21, 2013 Mahmoud Ahmadinejad was supposed to stand trial on November 26, 2013. However, the same

newspaper reported in December 2013 that Ahmadinejad had not appeared in the closed-door hearing on the scheduled date.

Another explicit act of corruption occurred in August 2013, during the final days of Ahmadinejad's presidency, when he withdrew 160 billion rials (16 billion tomans) from the Central Bank of Iran to establish a virtual university called *Iranian University*. This was done without obtaining valid approval from the Ministry of Science, Research and Technology. According to reports by the newspaper *Iran*, following persistent inquiries and actions taken by members of Parliament, the money was eventually returned to the presidential office account under the eleventh government in November 2013. Moreover, a government-owned building named Ladan, which had remained under the control of Ahmadinejad's associates, was reclaimed by the presidency after four months of follow-up. Another significant issue involved the provincial trips initiated by Ahmadinejad's administration under a populist approach. During these trips, the government made financial commitments exceeding 2,100 trillion rials, of which only around 67 trillion rials had been fulfilled. According to estimates, the eleventh government would need another 14 years to fulfill the remainder of these commitments. Furthermore, the Central Bank reported numerous large unpaid bank loans, (there was many cases of bank loans exceeding 50 million Tomans) including 61 cases involving individual loans exceeding 1 trillion rials (100 billion tomans), none of which had been repaid by the recipients. In year 2011, the largest known bank debtor was Mahafarid Amir Khosravi, who was imprisoned in **Evin** Prison and later sentenced to death for economic corruption. According to his lawyer, his total debt to five banks (Saman, Sepah, Melli, Parsian, and Refah) amounted to 1.57 trillion tomans, with Bank Melli alone owed 1 trillion tomans. Another notable scandal came after the end of Ahmadinejad's second term, when the government celebrated wheat self-sufficiency

in Iran. However, during the height of international sanctions, it was later revealed that money allocated for the purchase of 1.6 million tons of wheat had gone missing. This took place during Ahmadinejad's presidency, according to the Vice President for Parliamentary Affairs. In reality, the money for importing wheat had been withdrawn from the Central Bank, no wheat was delivered yet, and the funds were never returned. According to Yahya Al-e Es'haq, the then-head of the Tehran Chamber of Commerce, during the escalation of international sanctions, "sanction profiteers" made profits of up to \$25 billion, suggesting that the sanctions had become a source of immense personal gain for some individuals within or connected to the government.

Another issue relates to the tenure of Kamran Daneshjoo, the Minister of Science in Ahmadinejad's tenth government, under whom a significant portion of statistics provided by the Ministry of Science reflected actions taken during his four-year term. According to claims by some media outlets, over 3,000 illegal scholarships were granted during this period. The president of Allameh Tabataba'i University disclosed that many students introduced to the university as PhD candidates under scholarship programs had not met the minimum GPA requirements to qualify for doctoral bursaries. According to Dr. Salimi, in Iranian society there is strong demand for postgraduate education, especially compared to other countries, and a PhD degree has become a prestigious credential. As a result, hundreds of thousands of candidates fail to pass the highly competitive PhD entrance exam each year. However, some individuals, due to political or personal connections, were able to bypass this hardship and gain admission overnight, which undermines educational justice. Following the exposure of these irregularities by the Ministry of Science, it was revealed that 3,000 students were admitted to doctoral programs without passing the official entrance exam, and 1,048 scholarships were granted outside legal

procedures. This led to widespread criticism, particularly because many of the illegal scholarships were allegedly granted to people close to Ahmadinejad, as well as relatives of some extremist and conservative representatives of Parliament in previous period. The revelations prompted some MPs to initiate impeachment proceedings against the Minister of Science in the eleventh government, Mr. Reza Faraji-Dana. However, many university academics and professors rallied in support of Faraji-Dana due to his legal and reform-oriented approach. They sent letters to the President of the eleventh government (Hassan Rouhani) backing the minister. This sparked a wave of support from university faculty, students, intellectuals, prominent national figures, and student organizations, which continued up until the vote of confidence or no-confidence in Parliament regarding the impeachment. Interestingly, in the wave of public support for the minister, letters were also sent by political and civil society activists and students to MPs, some of whom had signed the impeachment motion. According to a reformist MP from Tehran, quoted by ISNA news agency, "The root of the impeachment lies not in academic issues but in freedom of expression and concerns about maintaining political control, especially fears among certain MPs about the universities becoming more open spaces." He added that the government's education policy had no intention of causing unrest in universities. It should be noted that, according to a decision by the Presidium of the Islamic Consultative Assembly (Iran's Parliament) on August 18, 2014, the motion to impeach the Minister of Science was formally added to the Parliament's agenda after one year in office. Following deliberations and a parliamentary vote, the Minister of Science was ultimately dismissed on August 19, 2014 with 145 votes against him, 110 votes in his favor, and out of 270 MPs present, resulting in a vote of no confidence. Subsequently, the dismissed minister was appointed as an advisor to the President. Illegal Scholarship Case and the Appointment of Dr. Farhadi as Minister of Science in November 26, 2014, Dr. Mohammad Farhadi received a vote

of confidence from the majority of representatives in the Islamic Consultative Assembly (Parliament), was officially appointed as Minister of Science by the President, and transferred to the Ministry of Science, Research, and Technology. In early November 2014, the Ministry of Science and Research announced that it had revoked hundreds of scholarships and reclaimed tuition fees from all those found to have committed violations. The ministry's statement about the results of its investigation into illegally awarded scholarships those granted without entrance exams and in violation of regulations sparked reactions from individuals who, ironically, bore responsibility for the matter. These individuals pointed to the figure of 840 revoked scholarships, claiming the issue was being exaggerated. However, the Ministry of Science reported: - 36 individuals whose academic documents were found to be fraudulent had their scholarships fully revoked, and their costs were to be reclaimed. - 440 individuals who had already spent two to three years pursuing their PhDs were permitted to continue their studies only if they reimbursed the ministry for the previously funded period and personally covered future expenses. Eventually, the violations and irregularities surrounding the awarding of scholarships during the Tenth Administration reached a conclusion. This controversial and drawn-out case, which involved granting scholarships to hundreds of students at the expense of more qualified applicants and had become a significant point of contention, came to an end with the Ministry's statement on April 30, 2015. This highly controversial issue, which had extensive media coverage, was formally addressed in a Ministry of Science, Research, and Technology announcement, which detailed the investigations and actions taken concerning these illegal and controversial scholarships. The case, involving scholarships granted without entrance exams, which had been one of the major challenges facing the Ministry during the Eleventh Administration, was ultimately resolved after extensive scientific and legal reviews. As a result: Out of the individuals affected, 800 were



permitted to continue their studies at their own expense, with reimbursement of prior government-paid tuition to the Ministry's treasury. - Fewer than 40 individuals who had submitted false or misleading information, resulting in erroneous decisions, were barred from continuing their education. Following the Ministry's statement on October 24, 2014, approximately 600 individuals whose scholarships had been revoked submitted appeals. According to the statement: Based on the Ministry's decision, a special committee appointed by the Minister reviewed these appeals. After investigation and approval by the Central Scholarship Council, and final confirmation by the Minister of Science, the results were gradually communicated to universities starting in April 20, 2015. Out of 512 probationary university instructors, only those whose study missions were approved by their respective University Boards of Trustees were allowed to continue. 371 individuals, having failed to obtain such approval, faced legal barriers to pursuing further education. For those accepted under the "converted to domestic" category who lacked proper placement and official scholarship orders and despite extensive assistance provided the previous year, still had not secured a university's declaration of need, the Court of Audit ruled that they could not continue their studies or receive tuition payments. However, if they were able to secure a declaration of need before completing their studies, the issuance of scholarship orders would become possible. The 15 months of work on this case, which ultimately led to its resolution, began with monitoring by the Court of Audit and continued with ongoing ministry efforts, which were conducted with flexibility but always within legal boundaries and aligned with the oversight body's requirements. Throughout the process, numerous and varied public statements were made, some of which contradicted the positions declared by the Court of Audit. In the final part of the Ministry's statement, it was emphasized: "On the one hand, there was the insistence and commitment of senior national officials to pursue the matter, uphold the law, and fight corruption everywhere. On the other

hand, there was the deep concern of academic communities about the pressures and unscientific propaganda aimed at altering the course of justice. It is precisely this sense of responsibility and vigilance that strengthens hope for preserving the integrity of academic environments.” Another issue that began during the Ninth and Tenth Administrations and continued until autumn 2014 was the sale of construction density (floor area ratio) by regional municipalities in metropolitan areas, especially in Tehran. This involved charging certain high-rise developers for increased building rights, which was often unprincipled and illegal. The urban management carried out this action primarily as a means to boost municipal revenues in large cities. Apparently, city officials paid little attention to residents' comfort and quality of life, and instead sold density permits simply to increase income, even though such permits were mandatory for construction licenses. While annual renovation taxes collected from property owners also contributed to municipal income, this specific method of selling density was viewed by some legal experts as a violation of urban law. Nonetheless, city council members largely ignored these concerns. Another major issue occurred in mid-December 2014 when the Minister of Economic Affairs and Finance revealed a financial corruption case amounting to 12 trillion tomans (approximately several billion USD). He explained that this case pertained to a financial transaction cycle that began in 2006 and continued until 2012. Although this financial scandal spanned several years, once it was discovered, the entire amount was returned to the bank, and no harm was done to bank resources or depositors. The individuals responsible were arrested and imprisoned. The nature of the case was as follows: a fictitious company, in collaboration with employees from various agencies and retired or active officials working in document forgery within the tax office, had been seeking bank loans. The group used fake invoices from one of the companies and, in an unusual move, voluntarily paid 120 billion tomans to the

Tax Organization in order to legitimize their fraudulent activities and facilitate further misconduct.

In December 2012, according to information from a reporter at *Iran Newspaper*, another case of misconduct by the Tenth Administration surfaced, this time involving the Kish Free Zone. The main charge in this case was the illegal transfer of land by officials of the Tenth Administration to certain privileged individuals. It is reported that in the early months of the Eleventh Administration, the then-director of the Kish Free Zone Organization was summoned to the General Inspection Organization of Iran to respond to accusations regarding certain construction activities and the unlawful allocation of numerous land plots on the island. In March 2013 General Inspection Organization, after conducting its investigation, issued orders to halt the transactions and reclaim the allocated lands. Moreover, the buying and selling of land in this region was banned for real estate agencies on Kish Island. Interestingly, during Anti-Corruption Week (early December 2014), the announcement of an economic corruption case worth 12 trillion tomans marked a new record in recent decades. Various officials revealed that two to five banks were involved, shedding light on the scale and depth of the scandal. Another case involved the Ministry of Petroleum during Ahmadinejad's administration. In 2012, the Oil Industry Pension Fund sold crude oil to Babak Zanjani. According to a report by *Tasnim News Agency*, the Board of Directors of the National Iranian Oil Company (NIOC) approved and authorized in May 2012, the marketing and sale of 300,000 barrels of crude oil per day by the Oil Industry Pension Fund. As a result, the investment company of the Oil Industry Pension Fund, to implement this approval, signed a contract with NIOC on May 15, 2012 to purchase 3 million barrels of crude oil for sale to ISO Company, owned by Babak Zanjani. Based on the available documents, about 1 million barrels, worth approximately \$103.2 million (around €83

million), were delivered to the buyer in Malaysia. According to the agreement, it was decided that NIOC Company would deposit the value of the sold crude oil into the Central Bank account from the funds received from the oil buyer, amounting to 83 million euros, but the method of settling the price of the sold crude oil was not specified. Another case of financial misconduct that was reported in the newspapers in October–November 2014 involved a 32-billion-toman fraud and the legal controversy surrounding an exorbitant attorney’s fee. In this case, the spokesperson of the Judiciary announced the arrest of a 25-year-old young lawyer who, while representing a governmental organization, had drafted a 32-billion-toman legal fee contract. To ensure success in securing the legal project, he had forged the signature of a judge, which caused a major shock both within the legal community and the government. Under such circumstances, when a lawyer commits a violation, they forfeit the essential values of the legal profession, namely trustworthiness, adherence to the law, honesty, and integrity. Therefore, legal action must be taken against such a lawyer, and their license should be revoked by the Bar Association’s Disciplinary Court. Another noteworthy issue regarding economic corruption during the Tenth Administration involves the well-known billionaire Babak Zanjani, which was uncovered in October 2014. In this case, a member of the parliamentary investigative committee revealed new details about Zanjani’s debt case, stating that Zanjani and his team had been plotting a political and economic coup in Iran. The member also disclosed that the names of some of Zanjani’s influential allies would be revealed in the future. He continued by stating that Zanjani had certainly received support from various ministries in the Tenth Administration and had associates placed in various high-ranking and ministerial positions. As a result, four cabinet members of that government had endorsed and supported Zanjani, enabling significant funds to be put at his disposal. This parliamentary representative also discussed the forged document claiming payment to the Central Bank, stating that Zanjani had paid a \$3

million bribe to the deputy head of the Central Bank of Tajikistan to forge this document. Zanjani then presented this fake document to the Iranian parliament, claiming that he had transferred the proceeds from oil sales to the Ministry of Petroleum. According to this official, Zanjani's lawyers even attempted to bribe members of parliament. Additionally, a member of the Iran Chamber of Commerce had previously revealed that the person claiming to pay Zanjani's debts had stated he was of Iranian origin, held Saudi citizenship, and had close ties with the Saudi royal family. Regarding the major oil-related rent-seeking by Babak Zanjani, which was previously mentioned, a factual description of his court trial is presented below: After a long wait, the trial of Babak Zanjani and his accomplices finally began publicly. Undoubtedly, public trials, especially when it involves the embezzlement of public assets and violation of the people's rights, attract significant attention from the public. Based on the indictment read so far, Zanjani is accused of corruption on earth, forgery, fraud, and organizing a fraudulent network. It appears that the punishment for his actions, based on the charges read, would be aligned with the law on disrupting the economic system. From what has been heard and read, the accused, along with some others as partners or accomplices, are on trial. This group apparently received large sums of money from selling oil, under the pretext of bypassing international sanctions. However, it is now unclear where that money has gone. If this understanding is accurate, it raises a significant question: this isn't about selling pistachios, almonds, or salami skins that can be easily sold on street corners. As some senior government officials have noted, the core question is how such a major crime could occur without the cooperation or involvement of individuals in very high-level positions. It seems in this case as well, we need to look for the bigger figures behind the scenes. Managing the country under sanctions has been extremely challenging, but the excuse of bypassing sanctions must not result in the squandering of public funds especially when each dollar has had the value of many for the people

and the nation. What is clear is that the information obtained from the accused and his associates, beyond being used against them, can also serve as the starting point for deeper investigations. At the same time, another question arises: what were the various oversight bodies doing during the time these actions were taking place? In any case, as has been said repeatedly, even the harshest punishment for the accused and his partners cannot truly compensate for the damages inflicted on the country. What really matters is the recovery of the missing funds and assets.

### **The ninth government's license and the oil accused's springboard**

The second session of the trial for Babak Zanjani, the oil billionaire, continued while the Tehran Prosecutor's Office's indictment named three former ministers and two former CEOs of a company that had verified the accused's bank abroad. The public trial of the oil billionaire and his two co-defendants took place at Branch 15 of Tehran's Revolutionary Court, presided over by Judge Salavati, and attended by representatives of the Tehran Prosecutor's Office and 10 lawyers representing the defendants and plaintiffs, including the Oil Company, Social Security Organization, and Bank Maskan. At the beginning of the session, the judge requested the representative of the public prosecutor to continue reading the 237-page indictment. Reza Najafi, Deputy Prosecutor, took the stand and stated: "This part of the indictment pertains to the second phase of Babak Zanjani's activities, his involvement in the purchase and sale of oil, which became known as Zanjani's oil boom period." He added that Zanjani, seeking higher profits, tried to fulfill his commitments, and in April–May 2012, through the deputy of the NICO (Naftiran Intertrade Company) met with S. J. S., the then CEO of the company in Switzerland. To earn his trust, Zanjani claimed he had connections with Bank Mellat and the Pension Fund of the Oil Ministry. S. J. S. contacted R. Gh., the then Minister of Oil, and arranged for a meeting between Zanjani and oil executives. The public

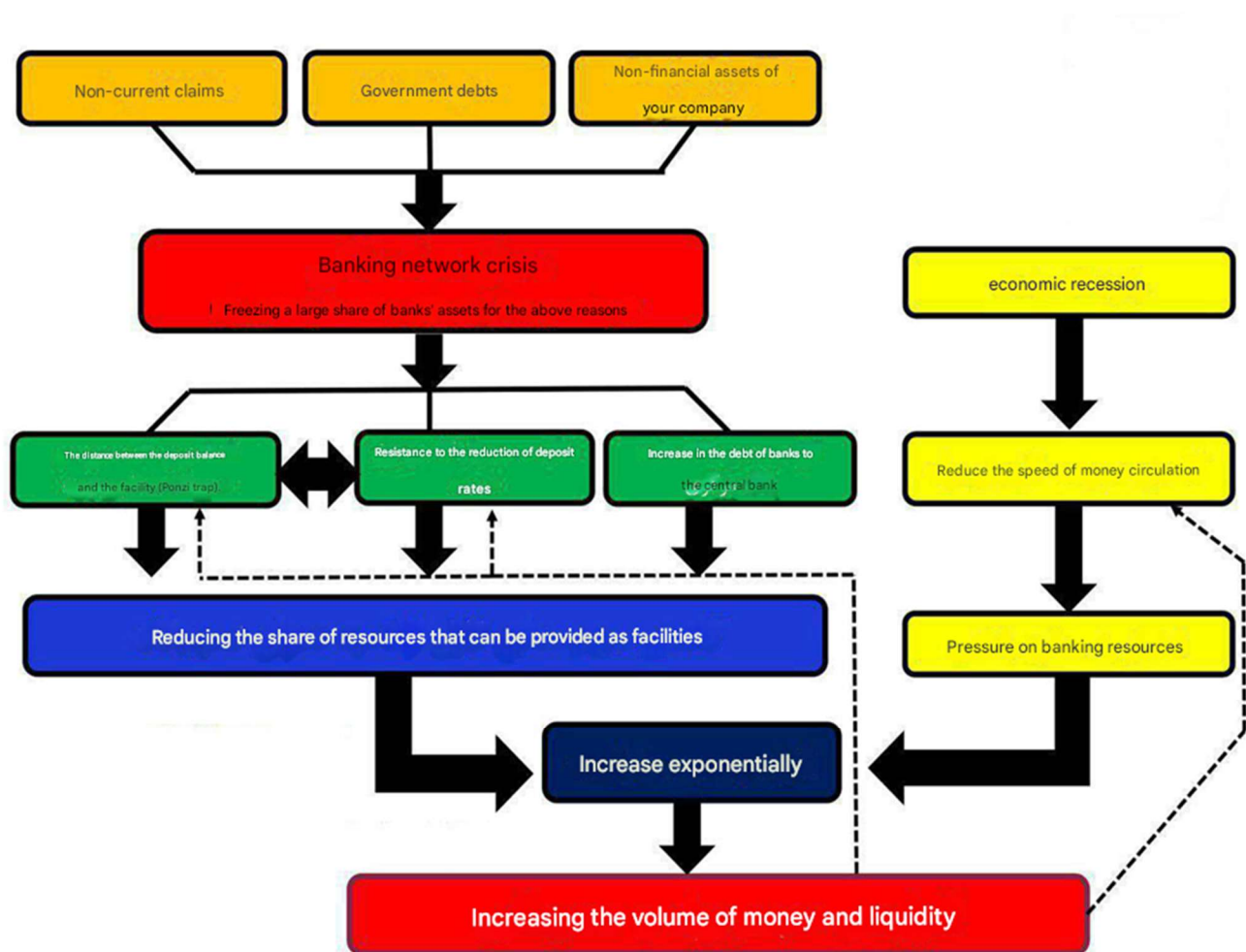
prosecutor's representative continued: "Zanjani had large oil storage facilities in Malaysia, China, and the UAE, and he requested to store oil there. However, the International Affairs Department of the Oil Ministry refused to proceed without a formal contract. Therefore, Zanjani re-entered the picture, this time as a buyer, intending to purchase crude oil, fuel oil, and gas condensates." He then decided to execute the deal through the Oil Ministry's Pension Fund and to do so in cash. S. J. S. contacted fund managers and requested that €300 million be transferred to HK Company's account. Zanjani asked HK Company to open an account at FIIP Bank in Malaysia, a bank owned by him. On May 3, 2012, several foreign currency accounts were blocked by this bank under HK Company's name, and €300 million was "transferred" by Zanjani to HK's account on the same date. HK Company then quickly issued a payment order to FIIP Bank. However, this action by Zanjani showed that all these steps were empty gestures, with no real transfer of funds having occurred. The transactions were essentially fictitious, aimed at gaining banking credibility. The representative of the public prosecutor continued: Based on the evidence and documents obtained, most of the signatures on letters and documents were scanned images or photos, not real signatures. Normally, issuing LCs (letters of credit) requires the inclusion of contracts but in the Documents we received, there was only a single letter signed by Babak Zanjani. Interestingly, Company 'A' never even requested a contract from Financial Institution 'B'. He added that, according to employees of FIIB Bank in Malaysia, all deposit slips were fake and carried orders from Babak Zanjani, though no genuine documents supporting the transactions were ever found. Despite this, documents show that Babak Zanjani claimed to have transferred: \$300 million to the Oil Ministry Pension Fund, - \$240 million to HK Company, Two transfers of €300 million to HK, - One transfer of €600 million to the same company, and two additional documents for €1.2 billion and €1.4 billion, which were also fake. the prosecutor stated that during the Sanctions era, it was not

possible to transfer cash directly. As a result, a special directive from the President's Strategic Measures Committee authorized the Central Bank to pay oil revenues to contractors in the form of loans, to be disbursed to NICO Company. Thus, €1.427 billion was paid through Bank Maskan, Parsian, Sarmayeh, Agriculture Bank, and a Chinese bank to Institution 'B'. This institution promised to forward the money to HK Company, which would then pay Company 'N'. The indictment continued: "Babak Zanjani claimed to have deposited €1.2 billion in HK Company and wanted it to use the funds to buy Iranian oil. However, he was met with resistance from oil officials. He then decided to purchase 138 companies belonging to the Social Security Organization. In a contract with S. M., then CEO of the Social Security Organization, he claimed he was ready to buy them using €4 billion in credit, and succeeded in acquiring those companies." Zanjani then transferred 442 billion Japanese yen from FIIB Bank to Bank of Maskan on behalf of Bank Refah, intending to pay for the Social Security companies. But the foreign currency was non-transferable and fake. He also attempted to issue an 8 trillion toman (approx. \$2 billion) guarantee for Tehran Municipality, but that too failed. The prosecutor continued revealing Zanjani's fraud against Bank Maskan and stated: FIIB Bank, managed by Babak Zanjani, opened an account for Bank Maskan, in which funds including 70 million Turkish liras, 240 million Chinese yuan, and 35 million euros were transferred. As the owner of the bank, Babak Zanjani was supposed to deposit the funds into Maskan Bank's account at FIIB Bank, but this deposit was not made, and Maskan Bank was always the creditor, and the accounts were made in a fictitious manner. The court then addressed the role of H. F. H., one of Zanjani's co-defendants, stating that he was responsible for introducing FIIB to domestic banks. Meanwhile, M. Sh., the second main defendant, had introduced Zanjani to the Oil Ministry, which is how Zanjani was able to secure his first deal: purchasing 3 million barrels of oil. However, the money from this deal was never



deposited, and because M. Sh. had previous relations with FIIB, officials trusted the bank. the deputy prosecutor pointed to one of the "launchpads" Zanjani used to advance his plans: One of the documents concerning FIIB Bank was a memorandum printed on Central Bank letterhead, bearing signatures of several former officials, and it approved the payment of the 14.5% share owed to the Oil Ministry, thereby implicitly endorsing FIIB Bank owned by Zanjani.

In this regard, the entire vicious cycle of the Iranian banking system is shown in the diagram below.



## Behind the scenes of oil corruption

***“We bypass all the sanctions.”***

This was a statement made by *Mahmoud Ahmadinejad* during the inauguration ceremony of two development projects at *Mobarakeh Steel Company in Isfahan* on December 4, 2012, which was published the following day in the *Iran newspaper*. In the winter of 2016, three court sessions were held to examine the largest economic corruption case in the country’s history. The primary defendant in the case claimed that during the period when Iran was under the most severe international sanctions, he had served the country. Babak Zanjani’s lawyer had previously stated:

“My client believes that at a time when no one else could do anything, he succeeded in serving the country.” Based on the indictment read during the court for the three defendants, it became clear that this massive volume of economic corruption occurred due to the sanctions and under the pretext of bypassing them. As a result of complex banking transactions and the involvement of intermediaries in selling Iranian oil, a significant portion of oil sales revenue was never deposited into the national treasury, and the executors of these operations were being prosecuted. However, in addition to Babak Zanjani, two other individuals were also on trial. The second and third main defendants in the case were “M. Sh.” and “H. F. H.” To properly understand the role of the second defendant, it is necessary to briefly return to the recent past.

### **Indictment of M. Sh.**

The Tehran Prosecutor’s Representative, during the reading of the indictment against the second defendant, “M. Sh.”, stated: “M. Sh., another defendant in the case, received all the oil shipments and sold them to the oil company ‘Fall’. He later claimed that the Fall Oil Company had gone bankrupt in an attempt to mislead

investigators. This statement cannot be considered rational why would anyone hand over valuable oil shipments to a bankrupt company? The prosecutor's representative continued reading the indictment for the second defendant:

“In 2012, *M. Sh.* received an email from *Zanjani*, in which it was written: *‘I tried not to write this, but I couldn’t stop myself. You are not as pious as you appear. I remember you said you gave \$33 million to Airline “A,” but you left me in debt. Now you are the winner in all this and have achieved everything, while you haven’t returned the money from the oil banks you took, and Airline A’s planes are still stuck.’* This letter surfaced despite the fact that *M. Sh.* had sold oil worth \$40 billion, but had only transferred \$402 million of it to *Zanjani*, which triggered a protest from the primary defendant. In another part of the indictment, it was mentioned that *M. Sh.* had received all the oil shipments and had promised *Zanjani* that he would sell them and receive a commission, but he only transferred part of the proceeds to *Zanjani’s* account. As a result, *M. Sh.* was indebted to *Zanjani* in the amount of approximately \$800 million. The prosecutor further stated: “The accused, due to a long-standing personal relationship with ‘*A. V. D.*’, easily gained his trust and got involved in oil deals.”

### **Story of Reza Zarrab in 2013**

On December 17, 2013, the Turkish police arrested 53 individuals on charges of money laundering and financial corruption. During this corruption crisis in Turkey, in addition to some members of President Erdoğan’s government and their sons, Reza Zarrab, an Iranian businessman from Tabriz, was also arrested. Reza Zarrab was accused of illegally transferring gold shipments to Iran, unlawful money transfers through a state-owned Turkish bank, and paying bribes to individuals close to government officials. Around the same time, rumors of a connection between Zarrab and Babak Zanjani began to circulate. The Turkish daily newspaper "Today's

Zaman" reported that Zarrab had revealed his boss's name during his confession a name that was none other than Babak Zanjani. However, both Zarrab and Zanjani denied any connection. But the story did not end there. The newspaper "Habertürk" claimed: "Based on email correspondence between Zarrab and Zanjani, the wealthy Iranian planned to travel to Turkey and meet with Zarrab at a luxury hotel in Antalya. According to the police, Zanjani and Zarrab never communicated by phone—only through email. Zanjani was reportedly going to enter Antalya using a fake passport through Beirut, but he canceled his trip after the police operation in Turkey." The same paper claimed that Zarrab and Zanjani first met years earlier in Tabriz, and since then Zarrab had worked for Zanjani. On January 5, 2014, Iranian news agency Tasnim reported: "While Zarrab was detained in Turkey and Zanjani in Iran, generating much controversy over their cases, the third person in this lucrative partnership was quietly continuing his business operations. Profiting by the billions of tomans under the pretense of bypassing sanctions had become a very lucrative business, turning a group of nouveau riche individuals into what were dubbed sanctions profiteers. Over the course of four years in the 2010s, particularly in the last two years, this group amassed unimaginable wealth. The arrest of Reza Zarrab, the money laundering corridor in Turkey, was the first domino, followed by the arrest of Babak Zanjani, whose 9 trillion toman debt from oil money was just one item in a long list of charges. This domino sequence eventually reached its silent final link." M. Sh. was arrested in late 2014, over a year after Zanjani, and likely spent that time managing his own and Zanjani's financial affairs. What makes this story more intriguing is a report from Agence France-Presse (AFP) at the time, which stated: "It is said that the person acting as the intermediary between Zarrab and Zanjani for transferring Iranian oil money to Turkey was a Dubai-based businessman named M. Sh."

## **Fal Company and the Halk bank Affair**

According to the indictment read during the third session of the oil corruption trial concerning the second defendant (M. Sh.), he was involved in selling oil received from three companies affiliated with Iran's Ministry of Oil to an oil company named “FAL”. The payment for this oil was transferred to Halk bank in Turkey, a bank that was under international sanctions at the time. From Halk bank, the money was transferred to FIIB Bank in Malaysia, either in gold or through other methods. However, part of the money was used for other purposes under Babak Zanjani's instructions, and another portion was never transferred to Zanjani's Sorinet Qeshm account, nor to Zanjani himself or the Malaysian bank. M. Sh., who holds British citizenship and had lived in Dubai for a long time, likely relocated to Turkey to manage financial operations at Zanjani's instruction. According to Reuters, the oil company FAL, which bought Iranian oil cargoes from M. Sh., was owned by the Al-Sari family, a powerful Emirati family. One of the directors of the company is Majid Abdullah Al-Sari, and Mohammad Othman was the individual who conducted all the transactions for the company. The company was originally founded by Sheikh Sultan Awwal, and its headquarters are located in Sharjah. An interesting detail about the FAL company is that it had previously been sanctioned by the U.S. and the European Union for issues related to Syria. It is likely that the purchase of Iranian oil under sanctions through the intermediary M. Sh. had two key reasons:

1-M. Sh. had been trading in the UAE for years and had built special connections that allowed him to gain the trust of FAL. 2- Since Iran was unable to sell its oil directly, naturally the intermediaries had to sell it at prices lower than the market rate.

## **The Halk bank story in 2013**

In the case of Reza Zarrab, Suleyman Aslan, the CEO of Turkey's Halk bank, was also arrested in connection with the investigation into Turkey's gold exports to Iran. The newspaper Today's Zaman reported that during a police raid on Aslan's house, about \$4.5 million, kept in a shoebox, was discovered. On January 8, 2014, the official website of Karafarin Bank published an article titled "*What Was Halk bank and What Did It Do?*", which stated: "Economic sanctions against Iran had gained momentum by the late 2000s, and expanding commercial ties with Turkey was viewed as a strategy to circumvent sanctions. From 2012, with the imposition of SWIFT banking sanctions, currency transfers to Iran faced serious challenges. That was when the name Halk bank became widely known." Al-Monitor, in its coverage of the Zarrab case, brought together findings from Turkish police investigations and concluded that the focus was on the triangle of Iran, Halk bank, and gold. According to Ugur Gurses, a Turkish economist, these events showed Turkey's inability to pay Iran through regular channels after purchasing oil and gas from Tehran. To address this, Turkey opened an account for Iran in Halk bank, and Iran converted its deposits into gold. The gold was purchased from international markets, first transported to Turkey, and then sent to Iran. According to Turkish media reports, Reza Zarrab, using this banking method, transferred about \$8 billion worth of gold from Turkey to Iran in 2012 and 2013. It is believed that his economic activities in Turkey were aimed at bypassing sanctions on Iran. One of the allegations against Zarrab is related to an airplane that landed at Istanbul's Atatürk Airport in 2012, which was found to be carrying 1.5 tons of gold from Ghana destined for Dubai. Ultimately, due to what was described as aiding Iran in circumventing sanctions, Halk bank itself was also sanctioned.

### **M. Sh in foreign media**

In addition to the Agence France-Presse (AFP), which had reported on M.Sh's role as an intermediary between Babak Zanjani and Reza Zarrab, the British news website *The Daily Beast* published an article on December 28, 2013, stating: “Hundreds of Iranian companies in Turkey serve as intermediaries in extensive global networks connected to companies controlled by Iran, including those involved in shipping, gold trading, credit card transactions, money transfer services, and the tourism industry which includes air transportation and the buying and selling of airplanes. Many of these companies were founded by former Iranian officials. One such figure is M.Sh, a former senior official of the Islamic Republic of Iran Shipping Lines (IRISL). In 2013, for the relatively low price of \$250 million, he purchased a private Turkish airline as well as several maritime companies that had ties to other former Iranian shipping officials. In 2006, M.Sh registered two companies in the United Kingdom with a man named A.A.A., who at that time was the head of Iran’s national shipping company (IRISL). He is currently the head of a private bank. A.A.A. serves on the board of directors of that bank as a representative of Tadbir Investment Company, which is a sanctioned entity under the U.S. Treasury’s EIKO (Execution of Imam Khomeini's Order) sanctions list.”

### **Reza Zarrab also faces Judge Salavati**

In 2013, the newspaper *Today's Zaman* wrote: “Three superficial companies in Turkey owned by Reza Zarrab conducted approximately €87 billion in illegal transfers from various countries between 2009 and 2012, with 40% of that amount being funds illegally moved out of the country. In one of these cases, Reza Zarrab had ties with Sorinet Holding, a company owned by Babak Zanjani. In January 2013, 1.5 tons of gold were discovered at Atatürk Airport in Turkey aboard an aircraft. Two-thirds of this cargo was reportedly intended to be delivered to Sorinet Holding in Iran. This cargo, which had no documentation, was flown to Dubai on January 18,

2013, after a \$1.5 million bribe was paid to certain political figures in Turkey.” On May 19, 2014, Tolga Tanış, a political analyst from the newspaper *Hürriyet* in Washington, claimed: “Based on information obtained from the U.S. Department of the Treasury, Iran may have asked Turkey to hand over Reza Zarrab to investigate his connections with Babak Zanjani.” On February 25, 2014, Gholami, the lawyer representing two plaintiffs against Zanjani, said the following about him and his operations: “I was once in a meeting with Zanjani at the Evin Hotel, and I asked him about the transfer of gold from Libya to Turkey without a bill of lading. He said that even if the plane is for cargo, there must be tickets issued for its passengers. According to him, they would probably have to pay a \$100,000 bribe to American officials in Benghazi to allow the plane to take off again. Reportedly, passports were issued for Babak Zanjani, H.M., and H.Sh., but they didn't actually travel. The gold was received, and instead of heading to Dubai, it was sent to Turkey, where it was seized due to Turkish concerns. This is when Reza Zarrab got involved and freed the cargo by paying a bribe, and then the gold continued to Dubai. It's unclear why they even went to Libya in the first place.” Also, Soltani, the head of the parliamentary committee following up on Babak Zanjani’s case, told the *Today’s Zaman* newspaper: “Based on the information we have, Babak Zanjani and Reza Zarrab are not separate. A large part of Zanjani’s assets, which Iran is trying to locate abroad, are believed to be with Zarrab. Zanjani was not alone in this; there’s a strong mafia network behind him that is creating obstacles in the legal proceedings. Even though Iranian officials have repeatedly said they cannot find Zanjani’s assets overseas, and even though there’s no official confirmation of ties between Zanjani and Zarrab, the possibility of a connection between the two is not far-fetched. It seems that Zarrab holds the key to a part of the missing funds in this case. As for M.Sh, he had been free until just a few months ago, and had even been doing business in Turkey during that time.” This is where the speculation by Turkish and other international media



about M.Sh's potential intermediary role between Babak Zanjani and Reza Zarrab is further reinforced. Turkish media had previously reported that Reza Zarrab left Turkey at the same time as Zanjani's trial was being held in Tehran. Zarrab was Zanjani's business partner, effectively acting as his representative in oil deals with Turkey, especially because Zanjani was under international sanctions. Many of Zanjani's trade transactions were thus carried out through Zarrab. This was the turning point that made Reza Zarrab well-known among Iranians. Zanjani claimed he had only met Zarrab briefly for a few minutes and had no business or partnership with him. However, a quote from Zanjani's lawyer, which contradicts Zanjani's own statement, was published by Tasnim News Agency. On March 22, 2016, Rasoul Kouhpaye-Zadeh, Zanjani's lawyer, told Tasnim: "The arrest of Reza Zarrab, my client's partner, on charges of cooperating with Iran in circumventing sanctions, clearly illustrates my client's effective and key role in serving the system." Before this statement, Zarrab's involvement in smuggling 1.5 tons of gold from Africa to Iran, which was exposed at Istanbul Airport, had already been brought up as a charge in Zarrab's case and also discussed in Zanjani's trial. Among Zarrab's charges in the case opened against him in Turkey—which led to a five-year prison sentence—was gold smuggling. Interestingly, during his own trial, Babak Zanjani also talked about the purchase of 1.5 tons of gold from Africa and attempts to bring the cargo into Iran via Istanbul, though he never mentioned Zarrab's name. Alongside this, the issue of Zarrab receiving commission payments from Zanjani for currency transfers was also discussed during Zanjani's court sessions. However, in the 14th session of the oil corruption trial, Zanjani claimed that Zarrab's exchange company, *Safir Altin*, did not charge commission, and the missing €12 million was due to previous commissions taken by Parsian Bank, Sarmayeh Bank, and Halk bank in Turkey. These statements by Zanjani, along with documents from court cases in both Turkey and Iran, strengthen the likelihood that the two were indeed connected. On January

5, 2014, Tasnim News Agency reported: “While Reza Zarrab has been arrested in Turkey and Babak Zanjani in Iran, creating a wave of controversy surrounding their cases, the third person in this profitable partnership is quietly continuing his business dealings. Earning tens of trillions of rials under the name of sanctions circumvention turned into a lucrative business, transforming a group of upstarts into ‘sanctions profiteers. the individual referred to by Tasnim was none other than ‘M.Sh’, the second main defendant in the oil corruption case, who was arrested in march 2015, more than a year after Zanjani’s detention.” Nevertheless, on July 16, 2015, Turkish media reported on the findings of the Turkish Ministry of Customs and Trade regarding commercial relations between Reza Zarrab, the Iranian-born businessman residing in Turkey, and Babak Zanjani. This report had actually been finalized 11 months earlier and was leaked to the Turkish media on that date. According to Hürriyet newspaper at the time, inspectors from the Ministry of Customs and Trade had obtained new documents indicating that Reza Zarrab and Babak Zanjani had financial ties and had even engaged in gold transactions in some instances. In one of those transactions, the amount of gold traded between Zarrab and Zanjani was reported by the Ministry’s inspectors to be 942 kilograms. Turkish media also published other findings attributed to the Ministry of Customs and Trade concerning Zarrab and Zanjani’s business dealings. According to one of these findings, another company affiliated with Reza Zarrab, Royal Shipping, had in May 2012, through a branch of Bank Mellat in Istanbul, transferred 5.1 million Turkish liras to the account of one of Zanjani’s affiliated companies.

### **Babak Zanjani's case is a test for the system**

Jahangiri, Vice President in Rouhani's administration, emphasized at the late April 2016 during a session of the Headquarters for Combating Economic Corruption that the return of public funds, clarification of hidden dimensions, and behind-the-scenes

events of this major violation are the three demands of the First Vice President regarding the Babak Zanjani case. In the meeting, Jahangiri thanked the judiciary for handling the case and emphasized: "A precise and uncompromising investigation into Babak Zanjani's case is a major test for the Islamic Republic of Iran. The nation will not forgo its rights, and public opinion is constantly monitoring the open court proceedings. Therefore, the reputation of the Islamic system depends on a firm confrontation with such corruptions. Moreover, the scale of this corruption is so large that it cannot be overlooked or ignored." The return of public funds, which Jahangiri strongly emphasized, has also been the main point of the Oil Minister's statements, as he has been one of the main plaintiffs in the case from the beginning. However, a review of Zangeneh's remarks shows that he does not have much hope that the defendant will return the money. For example, on April 14 2015 the Oil Minister said: "In my opinion, from the beginning, he had no intention of returning the money." Even just a few days ago, after the release of five pages of Zanjani's letter to the representatives, Zangeneh once again insisted that "he is a man of theatrics and writes letters, but he must return the 10 trillion tomans of the people's money." The publication of Babak Zanjani's five-page letter addressed to the representatives especially while his trial was ongoing was itself a noteworthy issue. However, even these parts of the letter only added to the ambiguities and dimensions of the case, rather than clarifying them. Particularly in the section where the oil-related defendant claimed: "When the respected Minister Mr. Zangeneh came to the Ministry of Petroleum, he could have met me once, asked about the issue, and the same thing I'm doing in detention could have been agreed upon quietly and while I was free. The Oil Minister responded to this letter on October 19, 2015, saying: "Zanjani must first return the oil money, then anytime he wants, we can sit and talk for days at the Ramsar Hotel." Thus, this letter not only revealed the methods Zanjani tried to use to solve his problems, but also raised new ambiguities for the public and

its audience. Based on these very ambiguities, the First Vice President, in addition to demanding the return of public funds, also called for the clarification of the hidden aspects and behind-the-scenes dealings involved in this major violation. The fourth trial session of Babak Zanjani was held at the Tehran Revolutionary Court, where the oil billionaire defended himself against charges of "corruption on earth," disrupting the country's economic system, forgery, and fraud. According to the newspaper *Iran*, on Saturday, October 31, 2015, the oil-related defendant was given the opportunity to present previously undisclosed details after three sessions in which the Tehran prosecutor's indictment was read through a single occasion: by writing a 21-page letter and sending it to certain responsible officials. In March 2012, Babak Zanjani, then 45 years old, entered the world of oil transactions in cooperation with individuals identified as "H.F.H" and "M.Sh.Z," relying on the trust and participation of a domestic bank. He was also introduced to the company "NICO" (Naftiran Intertrade Company) through individuals "K.D" and "S.J.S." Zanjani received multiple shipments from the company "HK," including: -2 million barrels of crude oil, - 106,000 tons of fuel oil (part one), -300,000 tons of fuel oil (part two), - 900,000 tons of fuel oil (part three), 600,000 tons of fuel oil (part four), - 250,000 tons of gas condensates (part one), and - 120,000 tons of gas condensates (part two). in total, he received 11 shipments. Within a short time, Zanjani managed to establish 70 companies, the most well-known of which include:

1-Sorinet Qeshm Development Holding, 2- First Islamic Investment Bank of Malaysia (commonly known as FEIB), 3- A shareholder in Onur Air (a Turkish airline), - ISO Oil Company, - A financial and credit institution in the UAE, and A bank in Tajikistan. In late January 2014, due to a complaint by the National Iranian Oil Company regarding a debt of 9 trillion tomans, and following up by Eshaq Jahangiri (the then First Vice President), then Oil Minister Bijan Zangeneh, and the

judiciary at the time, Babak Zanjani the oil billionaire was arrested and sent to Evin Prison. According to the Tehran prosecutor's indictment, individuals identified as M.Sh.Z and H.F.H acted as Zanjani's close partners or "wings." A key point is that Zanjani knew all of the Ministry of Oil's financial transactions were handled through Bank 'M', which might be the reason he chose that bank for his operations. On Aban 9, 1394 (October 31, 2015), the fourth court session addressing the charges against Zanjani and two other oil-related defendants was held, marking the beginning of their defense by themselves and their lawyers in response to the accusations.

### **Zanjani's relationship with the Ministry of Oil**

Sadeghi Qahari, the lawyer for the National Iranian Oil Company (NIOC), in an interview with the "Mizan" publication, spoke about Zanjani's connection with the Ministry of Oil. He said: Babak Zanjani, during a specific period, approached the oil company with pre-planned arrangements and, claiming to be a supporter of the system, was supposed to carry out two major tasks for the Ministry of Oil. He added: "Due to special circumstances, senior officials at the oil company ignored all regulations, since the company had never sold oil to non-refining countries. On the other hand, Zanjani presented himself as a loyal servant and entered the oil sector." Referring to one of the tasks Zanjani was supposed to carry out for the Ministry of Oil, the NIOC lawyer said: "One of the key promises made by the oil-related defendant was the payment of contractors' claims, which had not yet been settled. Because of the unpaid claims, oil projects especially in South Pars had run into problems. The second issue concerned oil and condensates stored offshore. Despite his claims, Zanjani did not come into the oil field with significant capital." He stressed: "Zanjani used the money for his personal purposes, which had been given to him for paying to the contractors." The oil company's lawyer added: "The Ministry of Oil had placed 1.437 billion euros at his disposal to pay the contractors.

Zanjani only paid \$660 million of that amount and used the rest of money for his own purchases.” Sadeghi continued: “Zanjani created a company called ‘ISO’ as a supposed buyer and added another company, ‘STT Bankers’, which he founded himself in Kish Island with a capital of only 10 million rials. Regarding ISO’s debt, he opened eleven Letters of Credit (LCs) in favor of the company HK, which was the oil seller. The LC guarantor was FIIB Bank, which Zanjani had established himself with \$4 million in capital in the Lavan Free Zone in Malaysia, a region lacking strong legal frameworks and prone to money laundering.” He added: “The LCs were invalid guarantees because the entire setup of this bank was actually located in Shahrak-e Gharb (a district in Tehran).” Mahdavi, another lawyer representing the oil company, discussed the exact amount which Zanjani owed to the Ministry of Oil: “His initial debt was 2.066 billion euros this was oil money meant to be paid to contractors. This sum was handed over to Zanjani in 2012.” He pointed to another one of Zanjani's fraudulent actions, explaining: “He claimed that he had deposited the money into the Central Bank of Tajikistan and would send the remittance from there. He even presented a letter from one of the deputy directors of that bank. But after Iranian officials investigated and traveled to Tajikistan, they discovered the letter was forged and no money had ever been deposited.” Mahdavi added: “In the third phase, Zanjani claimed he had transferred money via J.P. Morgan Bank to one of the Russian banks, depositing it into the Central Bank of Iran’s account. He even gave Iranian officials a copy of the letter. However, after a trip to Russia, they found that not a single rial had been deposited into that bank.”

**Babak Zanjani reached the final station with his "unsaid things" in March 2016.**

Babak Zanjani, who amassed a legendary fortune through connections with members of the tenth Iranian government and foreign cartels, finally reached the end

of the line with a death sentence from the Revolutionary Court after two years of trial. However, his “untold secrets” still lingered, and the only glimmer of hope remained that the main defendant in the biggest financial corruption case in Iran’s history might speak out during the remaining time before the Court of Appeal’s verdict, revealing the hidden truths. Babak Zanjani, whose full name is Babak Morteza Zanjani, was born on March 12, 1971, in Tehran. He claimed to be a merchant, entrepreneur, and Iranian investor, owning more than 70 companies, including: - Sorinet Qeshm Development Holding, - the first Islamic investment bank in Malaysia, - a shareholder in Onur Air (a Turkish airline), - a credit and finance institution in the UAE, and the Arzesh Bank in Tajikistan. Zanjani, known as the largest embezzler in Iran’s history, attributed his billionaire success to “luck,” though few believed his words. It seemed implausible that someone could reach such a position without ties to political groups or inner circles, just as most of the world’s wealthy have clear connections to politicians. Accumulating billions in wealth was hard to believe as a product of mere personal effort. Nevertheless, he emphasized repeatedly that he had built his fortune gradually and without help from any bank. His life story sounded more like a fictional movie, where the hero, despite numerous setbacks, rises again even if bankrupted or imprisoned multiple times. From the denied claim that he was once the driver for the Governor of the Central Bank, to owning more companies than his years of age, Zanjani’s life was filled with ambiguity. According to files from the Prosecutor's Office, Inspection Organization, and Revolutionary Court, the initial case included 41,800 pages across 200 volumes. This 45-year-old billionaire, who in year 2012 was a visible figure in political, sports, art, and business circles, reached his goals through connections with certain influential individuals in the 10th government. During the eight years of the 9th and 10th administrations, some officials in positions of power sought to recruit him, directly or indirectly. At a time when the country needed unity and support due to

sanctions, they involved him in commercial and oil projects to benefit from collusion and personal gain. Zanjani, who had amassed vast wealth, was mainly interested in fame and recognition. For that reason, he frequently appeared in public and private gatherings in Kish Island, the North and South of Iran, or in luxury estates and villas near Tehran. From time to time, he even attended meetings with certain ministers or deputies in various ministries, organizations, and state-owned companies including:

- the Ministry of Oil, - Social Security Organization, - Shasta companies, - two sports clubs, - airline and cinema offices, - mass housing and commercial construction, - and high-rise developments. often introduced as an investor or contractor in industrial, civil, sports, and cultural projects. In every gathering he attended, he was accompanied by a number of people introduced as advisors or bodyguards. At times, prominent figures from cinema, sports, and former state company directors were also present at his lavish parties. From 2012 onward, with the Support from some government officials at the time, including three ministers and the former Governor of the Central Bank, Zanjani received €2.060 billion worth of oil from the “HK” oil company, affiliated with the Ministry of Oil, under the pretext of bypassing sanctions but never paid for it.

### **President's pursuit of the return of money to the Treasury**

The investigation into economic corruption under President Hassan Rouhani's administration began when, on December 28, 2013, the President ordered his First Vice President to prioritize identifying and punishing those who, through collusion and abuse of special privileges, had paved the way for illicit enrichment and unjust income. This directive from Rouhani was positively received by the public. At first, few believed that cooperation between the government and the judiciary could lead to the exposure of profiteers and the restoration of public and national funds. However, as steps were gradually taken, public skepticism began to shift toward



optimism. Two days after the President's order, Babak Zanjani was arrested following a complaint by the Ministry of Oil, due to a debt of approximately 85 trillion rials (about €2.06 billion). the judiciary interrogated more than 40 individuals, including four senior officials from the 10th government, who had approved his contracts, as witnesses. Moreover, 12 accomplices and several oil officials from Ahmadinejad's administration were also arrested on charges of aiding and abetting the crimes. During interrogation, Zanjani repeatedly claimed he was ready to repay his €2.06 billion debt, by offering both movable and immovable assets inside and outside Iran. In February 2015, he even issued a €2 billion check dated April 26, 2014, but the check was never honored. Despite being the biggest embezzler in Iran's history, Zanjani kept requesting more time from the court under various pretexts to settle his massive debt, and the presiding judge granted him these extensions. However, he never fulfilled his promises, which led the public to believe that Zanjani was deliberately deceiving the judiciary and the government. Besides Zanjani, two of his close associates named as Mehdi Shamszadeh and Hamid Falah Heravi were also sentenced to death by the Revolutionary Court as "corruptors on earth". Both played key roles in the operations of the oil billionaire. Mehdi Shamszadeh, Zanjani's business partner and the second defendant, was an Iranian businessman based in Dubai who, during 2012 and 2013, increased his investments in the Turkish transportation sector. These investments included: - The purchase of Onur Air, a private Turkish airline, with \$250 million in capital, and buying 50% of Ulusoy-Varan, a road transportation company, with \$100 million in capital. After acquiring seven airplanes for Onur Air, he transferred them to an Iranian company established by Babak Zanjani. At that time, the Turkish media also published detailed reports covering these activities. At the time, the Secretary-General of the Iran-Turkey Joint Chamber of Commerce, referencing a report published by the Turkish newspaper Vatan, stated that: In 2013, the Turkish company Onur Air was

sold for \$250 million to Kudret Tangel, a Turkish businessman, and Mehdi Shamszadeh, an Iranian-born businessman residing in Dubai and holding British citizenship. However, later reports revealed that the real buyer was Babak Zanjani, the owner of Qeshm Airlines. The indictment of Mehdi Shamszadeh, the second defendant, stated that: - He received all the oil shipments himself and promised Zanjani that he would sell them and pay him his share and receives a fee commission. However, he only transferred part of the proceeds to Zanjani's account. - As a result, Shamszadeh owed Zanjani approximately \$800 million.

Zanjani's Facilitator: Hamid Falah Heravi, the third defendant, was previously active in the petrochemical industry and held managerial positions in Iran's Social Security Organization and the Armed Forces' Logistics Department (SATA). He was introduced by SATA as a board member of Ghadir Investment Company. Falah Heravi played a key role in two significant deals: -A transaction with Saeed Mortazavi (former Tehran prosecutor) involving the purchase of shares in Parsian Bank, and His partnership with Babak Zanjani in oil deals. According to the Tehran prosecutor's indictment: He served as a board member of FIIB Bank, which was allegedly based in Malaysia, though Zanjani handled all operations from Tehran. The bank played a crucial role in the embezzlement scheme. On December 16, 2012, the board of the Social Security Organization approved the sale of several companies under its management. In the relevant documents Falah Heravi was listed as chairman of the board, and Zanjani as the CEO of the purchasing company. That deal involved the acquisition of 138 companies affiliated with the Social Security Organization, valued at €4.4 million. Additionally, Falah Heravi participated in the €2 billion oil deal between Zanjani and Mehdi Shamszadeh, made with the Oil Industry Retirement Fund (affiliated with the Ministry of Oil), acting as one of the main intermediaries and introducers of the deal. Falah Heravi's influence during the

10th administration (Ahmadinejad era) was so strong that, with a direct introduction from Ahmadinejad, Babak Zanjani obtained a crucial approval on June 27, 2012 from: - Three ministers (former ministers of Oil, Economy, and Industry, Mines & Trade), and the then Central Bank governor. This approval became the turning point in Zanjani's rise in Iran's economy, giving him broad credibility and access to future state-backed deals. However, the indictment notes: This resolution was never officially passed by the President's Special Measures Committee, as claimed. It was simply signed by the three ministers and the Central Bank governor, and should have first been reviewed by the Economic Corruption Prevention Committee. During that session, Zanjani and Falah Heravi were present at the Central Bank, and based on the unauthorized approval, the FIIB Bank received authorization to accept oil payments into accounts controlled by the defendants. this refers to the €2.06 billion in oil revenue that the National Iranian Oil Company (NIOC) is still seeking to recover.

### **Who were Babak Zanjani's team?**

Other Key Figures in the Oil Corruption Case are: S.J.S. A top oil executive in Ahmadinejad's administration, described as "Iran's number one man in the oil market" during that period. He held senior management positions in several key oil companies. Four years before the scandal, he left the National Iranian Oil Company (NIOC) and joined a semi-private company tasked with supporting economic and financial operations for NIOC subsidiaries. He played a crucial role in importing gasoline and exporting large volumes of Iran's crude oil. His name was included on the U.S. sanctions list. Despite his involvement, he was released on bail under favorable conditions. V.A.A.V.- A close advisor to the former oil minister under Ahmadinejad. He was entrusted with reforming the legal and contractual structures of the oil industry. A.A. A former CEO of one of Iran's free

trade-industrial zones during Ahmadinejad's presidency. There were unconfirmed reports that he was arrested near Iran's western border while attempting to flee the country. H.M.K. – A close associate and former deputy of Babak Zanjani, whose photo with Zanjani was widely circulated. Zanjani referred to him as one of his “good friends and business partners.” He was reportedly detained for a short time and later released. H.Sh.M. – Zanjani's right-hand man and the first person arrested after Zanjani himself. He was in charge of Zanjani's projects in Kish Island. He was arrested less than a week after Zanjani, and apprehended at his own office.

### **Death sentence for oil defendants**

On October 3, 2015, the public trial of Babak Zanjani, Mehdi Shamszadeh, and Hamid Falah Heravi began in the Revolutionary Court of Tehran, Branch 15, presided over by Judge Salavati. The trial followed lawsuits filed by: 1- The National Iranian Oil Company (NIOC). 2 - The Social Security Organization. 3- Bank Maskan and the Tehran Prosecutor's Office, representing the public interest.

Key Charges and Proceedings: Over the course of 26 court sessions, the defendants faced charges of: - Corruption on earth” a charge that can carry the death penalty in Iran. - Disruption of the national economic system. - Massive fraud against: - The National Iranian Oil Company and FIIB Bank - Forgery of a bank transfer order issued in the name of "Y" - Money laundering, involving the amount of 1.967 billion euros. The court found all three defendants guilty based on the presented evidence and documentation. The sentences included: 1- Death penalty for all three. 2- Restitution of embezzled funds. - Heavy financial penalties (fines).

**Justice Minister: Execution and imprisonment of Babak Zanjani will not bring money to the people**

Mostafa Pourmohammadi, the then Minister of Justice, speaking to a reporter from the newspaper *Iran* regarding the Babak Zanjani case, said:

“Our main and important concern is the public funds that, this man [Zanjani] took and is not returning. Right now, what matters to us is the wealth of the people and the nation, which must not be wasted. First, the nation and the government must get back what is rightfully theirs; only then should the issue of punishment be discussed. Otherwise, sentencing him to death or imprisonment won't restore the money or heal the damage for the people. He [Zanjani] had obtained permits from some government individuals to circumvent oil sanctions and then told them to deposit the money into an account so he could handle purchases and provide financial support for their needs. But why didn't he fulfill those needs? Moreover, he didn't act through legal and official channels he entered through unofficial ways and failed to fulfill his commitments. Now, he either has to return the money or deliver the goods. Unfortunately, apart from making promises, Babak Zanjani didn't take any meaningful action. He says that the money he deposited in banks has been frozen due to sanctions. Now that the sanctions have been lifted (during the Rouhani administration's negotiations), he must return the money to the government. Look, even if what Zanjani says is true that he had permits from influential officials in the previous administration it still doesn't justify his illegal and unethical behavior. The government supposedly allowed him to work through legal and proper channels, not to act contrary to the law and accepted norms. Now whether those permits were valid or not is another matter those individuals have also been investigated. Unfortunately, we are facing a major fraudster and liar. Although a verdict has been issued in court, this case still has many ambiguities. I don't want to point fingers at specific individuals here, but the question remains: why did the officials who granted such permissions act without proper oversight? "Why didn't they take the necessary

guarantees from him? Did he even have the qualifications for this job? Was a full assessment conducted? Was there any supervising officer assigned to this individual? Was a joint bank account assigned to him for oversight and control? Were the routes through which he transferred the oil money monitored to ensure its movement and establish certainty?"

The legal representative of the National Iranian Oil Company said: "Babak Zanjani must repay the public funds and the Oil Company's claims if he wants to change the primary court's verdict and escape execution." Gholamreza Mahdavi, speaking to the *Iran* newspaper about the ruling of the Revolutionary Court regarding Babak Zanjani and the two other defendants, added: "The Oil Company, while respecting the court's initial ruling, is only pursuing the collection of its receivables from the defendant. The matter of punishing the defendants is in the hands of the judiciary." The Oil Company's lawyer, pointing out that the Ministry of Oil has cooperated with Zanjani in repaying the debts, said: "Despite full cooperation from the Ministry of Oil, the defendant has not paid any money so far. Unfortunately, Babak Zanjani does not deal with the matter honestly and constantly misleads the authorities, the court, and even the plaintiff (the Oil Company) by giving false information. We don't understand the purpose behind so many lies." Mahdavi, regarding Zanjani's lawyer's claim that the agents of the receiving bank (designated by the Central Bank and the Oil Company for the debt transfer) refused to accept and transfer the money, stated: "This account number was not only given to Babak Zanjani for paying his debt, but also provided to European and Asian companies, including Shell, and they successfully paid their debts. There was no problem with making payments to that account." He added: "If they are having trouble paying to that account, the Oil Company is ready to provide a new account number for them to settle the debt." In response to the question "Does Babak Zanjani

have assets abroad that he hasn't declared?", Mahdavi said: "After investigations, we found that the defendant has transferred his foreign assets including several container ships, airplanes, and other companies to the names of other individuals who are considered his trustees. However, we are unaware of whether he holds any cash assets abroad." He continued: "All identified and assessed domestic assets belonging to Zanjani are not enough to cover his debt. These assets are estimated to be worth about 2,100 billion tomans, but most of them are burdened with debts and claims from others, and they only cover a part of his total debt." Tahmasb Mazaheri, former Governor of the Central Bank, spoke to the *Tabnak* news outlet about Babak Zanjani's case: "Given that his background was well known, the officials of the previous government and the Central Bank under Mr. Ahmadinejad's administration must be held accountable for what reasoning and with what control mechanisms they entrusted the nation's financial resources to this individual." After hearing his death sentence, Babak Zanjani, in a state of shock, reportedly said: "Did the court truly declare me a 'corruptor on earth' to issue a death sentence? I only aimed to serve the system and help the regime. Does this mean I am being called a corruptor because I intended to harm the system? Am I really a corruptor on earth? Rasoul Kouhpaye-Zadeh, Zanjani's lawyer, relayed this quote from his client to a journalist from *Iran* newspaper and added: "Branch 15 of the Tehran Revolutionary Court has not yet officially notified me or Babak Zanjani of the verdict. But on Sunday, March 6, 2016, after the judiciary spokesperson officially announced the death sentences in the so-called 'Oil Company Case', my client called me and, surprised by the news, asked: 'Am I really a corruptor on earth?' I told him, 'In my opinion, no.' The court referred to Article 2 of the Law for Punishment of Disruptors of the Economic System, saying his actions were intended to harm the regime. My client was deeply affected by this and stated: 'I presented documents and explained during the hearings how I cooperated with the country.' Zanjani further said: "When the verdict is

formally delivered, we will appeal it. But regardless of this ruling, continue to work seriously on the transfer of funds and settling the debts.” The defense lawyer added: “I asked my client to personally communicate this matter to his foreign lawyers as well, so they continue efforts to transfer the funds diligently, regardless of the court’s decision and its consequences.” Regarding the claim that the foreign correspondent bank had refused to accept Zanjani’s funds which had been denied Kouhpaye-Zadeh said: “This issue came up on Friday, and we received documents proving it. The correspondent bank officially stated that it was currently unable to accept the money, and we have the email to confirm it. The denial from the other side is likely due to lack of information. If confidentiality rules didn’t apply, we would release the exact content of that email to the media so everyone could see the correspondent bank’s response.” He continued: “The refusal to accept the funds by the foreign correspondent bank is separate from the issue of the six checks, and my client is actively exploring various ways to transfer the money back to the country.”

### **The follow-up to Babak Zanjani's case reached Turkish courts**

According to a report by *Iran* news agency dated April 24, 2016, Ghodrat Tanjel, a trustee of Babak Zanjani, sold 51% of the shares of the airline company Onur Air to Cankurt Bagana, the original shareholder of this Turkish airline. Mahdavi, the lawyer representing the National Iranian Oil Company, confirmed this development and announced that foreign lawyers from the Ministry of Oil had entered the case and were auditing the company’s financial records in Turkish courts. The name of Ghodrat Tanjel, a Turkish businessman, was first publicly mentioned during the 20th session of the trial of the oil-related defendants (Babak Zanjani, Mehdi Shamszadeh, and Hamid Falah Heravi). According to documents submitted to the Inspection Organization, the Tehran Prosecutor’s Office, and the Revolutionary Court, a portion of the charges against the defendants were reviewed, and a ruling was issued.



Mehdi Shamszadeh, an Iranian-origin businessman based in Dubai, had increased his investments in Turkey's transportation sector in 2013 by acquiring the Onur Air airline, a private air transport company. The investment amount was reported as \$250 million. In addition to buying shares in the airline, Shamszadeh also purchased half the shares of the Ulusoy Varan road transport company, which reportedly required another \$100 million investment. After acquiring 7 airplanes for Onur Air, the planes were transferred to an Iranian company established by Babak Zanjani. On the same day, the *Entekhab* news outlet, quoting Turkey's *Vatan* newspaper, reported that the Turks sold Onur Air in 2013 for \$250 million to Ghodrat Tanjel, the Turkish businessman, and Mehdi Shamszadeh. However, reports later emerged suggesting that the real buyer of the airline was Babak Zanjani, the owner of Qeshm Air in Iran. After Babak Zanjani was arrested in Iran, Onur Air experienced financial difficulties. Subsequently, Cankurt Bagana, the original owner of the airline, who had started working in the tourism sector after selling the company, decided to buy the airline back. For this purpose, he traveled to Tehran and held negotiations with an institution equivalent to Turkey's Deposit Insurance Fund to reacquire the company. It was reported that the company was resold to Bagana for \$105 million half the original price. Besides Cankurt Bagana, who repurchased the company, Ghodrat Tanjel and Mehdi Shamszadeh remained shareholders in Onur Air. Zanjani's partners were not trustworthy. According to this report, Can Kurt Cankurt Bagana also stated that since Onur Air's shares were in decline, he decided to purchase the 51% stake held by Ghodrat Tanjel. After this transaction by Tanjel, the National Iranian Oil Company officially filed a lawsuit against the two shareholders, Ghodrat Tanjel and Bagana, in a Turkish court, requesting legal review of the matter. Gholamreza Mahdavi, the lawyer for the Oil Ministry, confirmed the news of Zanjani's shares in Onur Air being sold to Bagana, and told reporters: "The individuals chosen by Zanjani as trustees in various countries, including Turkey,

Malaysia, and Tajikistan, were neither reputable nor trustworthy. While they may have been ideologically aligned with Zanjani, they clearly lacked integrity. He added: "Bagana is the same person who originally sold the Onur Air shares to Zanjani and knew that Tanjel was only a trustee without the authority to sell. So why did he proceed to repurchase the shares from him? This clearly indicates that Bagana also committed a violation. The lawyer for the Oil Ministry stated: "There is documentation proving that these assets rightfully belong to the Iranian government and the Oil Ministry. The money Zanjani was supposed to return to the treasury was instead used to buy ships, factories, and an airline. Now we have to go to Turkish courts case-by-case to legally reclaim these properties. He continued: "In legal systems, if we have admissible evidence, the process proceeds more quickly. We must prove to the Turkish judiciary that these assets belong to the Iranian government. Mahdavi also commented on Zanjani's alleged power of attorney to sell his assets in Turkey, saying: "This matter, as reported in the media, is not new. It relates to the past, and the assets in question are the same ones Zanjani had initially disclosed." Seizure of Zanjani's assets in Turkey by Ghodrat Tanjel: Rasoul Kouhpaye-Zadeh, Babak Zanjani's attorney, told IRIB News in January 2016: "Ghodrat Tanjel, Zanjani's partner in Turkey, seized his assets. When the sanctions began, my client signed a fictitious contract with Tanjel, under which some of his assets were transferred into Tanjel's name. Kouhpaye-Zadeh added: "After the prolonged detention of Babak Zanjani, Tanjel plundered and expropriated my client's assets." On Zanjani's purchase of companies from the Social Security Organization: The Social Security Organization issued a public statement regarding its lawsuit against Babak Zanjani, announcing that a corrective court order had been issued, convicting Zanjani of embezzlement and requiring him to return five cheques valued at over 17,700 billion tomans (~\$4.2 billion at the time) to the organization.

### **Auction of Babak Zanjani's property**

Babak Zanjani, the oil-related convict sentenced to death by the Tehran Revolutionary Court, had billions of tomans worth of his assets auctioned for the second time inside the country. According to Tasnim News Agency, this auction announcement was published in a newspaper in July 2016. Twelve properties and apartments were put up for auction by the “Tose’e Paydar Aseman Kish” Trading Company. Among these assets, the “Iran Zamin” property had the highest value, priced at 7,517 billion tomans, with a base price of 751 billion tomans. Other auctioned properties included: - Khodami property: base price of 110 billion tomans. - Building on Dolat Street: 19 billion tomans. - Another building: base price 87 billion tomans. - Chehel Ketab (Forty Books) property: base price 52 billion tomans. - Apartment in Jamaran complex. - 22 retail stores in Borj Tehran: 3 billion tomans. - Sajjad Shopping Center: 2 billion tomans. - Apartment on Fereshteh Street: 3 billion tomans. - Apartment in Velenjak: 5 billion tomans. - Villa in Kelardasht: 210 million tomans. - Hashtgerd property: 315 million tomans. - Irtuya property (Qeshm): base price of 17 billion tomans. Simultaneously with the investigation into Zanjani's case, in early November/December 2015, the head of Iran's General Inspection Organization, Nasser Seraj, announced another major oil corruption case. He stated: “A person similar to Babak Zanjani received oil from the Iranian Ministry of Oil and was supposed to return the payment to the government. Unfortunately, he embezzled 160 billion tomans and fled to Canada.” Nasser Siraj, who traveled to Pakistan to participate in a conference of inspection institutions and organizations of Asian countries, said, without mentioning the name of the violator, “Most of the country's money launderers and corrupt individuals flee to Canada.” Although media initially reported the embezzled amount as 100 billion tomans, Seraj confirmed that the actual amount was 160 billion. He added: “With the help of our

colleagues and existing leads, we managed to trace and seize 60 billion tomans of this amount, which had been converted into luxury cars and residential units. Several individuals have been arrested in this case.” The Head of Iran’s General Inspection Organization stated: “Our main duty is to monitor the proper implementation of laws. Wherever laws are violated or irregularities occur, the Inspection Organization is obligated to step in, identify corrupt individuals, and hand them over to the judicial authorities.” He continued: “Individuals involved in money laundering and organized crimes, once their corruption and crimes are exposed, often flee the country. In such cases, the judiciary in the origin country is practically powerless, unless the destination country cooperates and returns the individual.” In November 2016, the Prosecutor General of Iran commented on Babak Zanjani’s case, stating: “Zanjani is currently in prison. His lawyer is taking certain actions, and we have told him that, the assets which Zanjani has transferred abroad worth over 10,000 billion tomans must be returned.” The prosecutor added: “Although Zanjani’s lawyer has claimed they are ready to return the assets, unfortunately we have not seen any action yet.” He also emphasized that: “Zanjani and those like him will only receive Islamic sympathy if they cooperate.” In December 2016, as reported by official state media, the Administrative Justice Court reviewed Babak Zanjani’s appeal against the initial death sentence ruling. Despite opposition from government officials, including the Minister of Oil and even the President, the court upheld the death sentence. This ruling again drew criticism from officials. Among them, the Minister of Oil stressed: “Zanjani must return the oil money to the Ministry of Oil.” Despite the confirmed sentence, Zanjani’s execution has not yet been carried out.

### **The Ministry of Intelligence's actions in the Babak Zanjani case**

The Public Relations Department of Iran’s Ministry of Intelligence announced a series of actions taken regarding Babak Zanjani’s financial corruption case,

emphasizing the ministry's efforts in preventive and operational domains to track financial activities and identify Zanjani's overseas bank accounts. The ministry successfully traced approximately \$700 million of these funds. The following steps were taken in the identification section: 1- Detection of two container ships. 2- Identification of an import deal involving 500 vehicles from Tajikistan, valued at \$15 million. 3 - Discovery of 4,000 debit cards totaling \$4 million. 4- Asset identification linked to Zanjani's agents in Spain, Malaysia, and Iran. 5- Currency tracing related to Zanjani's foreign exchange activities. 6 - Seizure of a large quantity of gold and cash totaling 185 billion and 650 million tomans during 2015 and 2016. 7 - Identification and declaration of his domestic assets, including 53 companies in Iran and abroad, including 20 companies in 2013. 8-Verification of nearly 50 alleged foreign deposits, in countries including Canada, China, Turkey, UAE, Malaysia, Tajikistan, Australia, Philippines, Switzerland, Italy, Russia, and Japan, both during and after legal proceedings. 9 - Providing responses to numerous judicial inquiries. But the fundamental question is why, despite the emphasis of officials over the past two decades to combat corruption, the underground, hidden, non-transparent, black and gray economy, and the media coverage of some major financial and economic corruption cases, we continue to witness the growth of large-scale financial corruption items in the country? And the next question is, why only the announcement of large figures, in the thousands of billions, is mentioned, and what is the purpose of the announcement of large figures by the officials? There are various speculations among the public and the market. First Group –Some citizens and economists believe the disclosure of massive figures is intended to serve as a lesson to others and underline the necessity of anti-corruption efforts. However, despite these efforts, well-connected individuals continue to exploit loopholes in banks, markets, government agencies, customs, and foreign trade. Second Group – Political Weaponization: argue that the exposure of corruption cases like those of

Amir Mansour Aria and Babak Zanjani is often politically motivated. These revelations serve as political warnings, rather than genuine reform tools. As a result, despite widespread publicity, corruption persists, because no systemic reform or economic restructuring occurs, and public announcements are not backed by serious auditing or oversight.

Third Group – Real but Costly Enforcement: A third perspective views the fight against financial corruption as genuinely pursued by the judiciary, courts, and government. However, they also acknowledge that legal, political, and economic complexities play a role. Alarming, the psychological and economic damage caused by such news may outweigh the actual monetary value of the corruption itself. It fuels public perception that a privileged few benefit greatly, while ordinary citizens struggle to survive. Experts argue that deep-rooted structural problems in Iran's economy including the expansive role of the state, heavy dependence on oil revenues, regulatory and financial interventions, and command-based banking and economic policies—have created an environment in which corruption takes many forms. These conditions offer privileged opportunities, rent-seeking benefits, and special advantages to influential individuals with access to governmental bodies and banking systems. Despite public trials, media coverage, and even executions of key corrupt actors, experts believe these measures have failed to eliminate the core of economic corruption. While such iron-fisted legal approaches may serve as a warning to opportunists, the neglect of systemic roots has led to the escalation of corruption in recent years. These analysts argue that the real battle against corruption should go beyond visible and media-centric actions. Instead, it must include the unseen but powerful presence of effective oversight mechanisms including banking standards, financial audits, inspections, and professional oversight across customs, public agencies, and state institutions.

Experts emphasize the need to apply sound economic principles to reform Iran's economy. Recommended strategies include: -Reducing the role of the state in economic affairs. -Downsizing government. - Reforming and simplifying regulations. Decreasing budget dependence on oil. - Minimizing state-mandated banking and financial directives. - Phasing out compulsory lending schemes. - Liberalizing the economy and reducing government intervention. - Avoiding duplication in government policies and institutions. - Despite long-standing discussions around these policies, the black and grey economies have continued to grow, indicating that reforms have not been adequately implemented or effective.

Definition of Shadow Economies: 1- Black economy: Includes illegal activities such as smuggling of goods, foreign exchange, gold, and coins. 2- Grey economy: Involves seemingly legal sectors that bypass regulations or norms, leveraging special permits or influence in banks and government agencies for unfair gain. Experts stress the need to enforce: - Rule of law. - Good governance. – Regulatory reform. - Economic restructuring. – Transparency. - Competitive flexibility. - Macro-level economic liberalization. Another critical concern raised is the delay in addressing reported cases of corruption. Often, whistleblowers or inspectors raise alarms about violations, yet regulatory bodies fail to act promptly. Only after media reports spread do officials react, by which time the damage has often escalated. This raises an important question: Why are early warning signs ignored, allowing corruption to intensify instead of being curtailed? Why Isn't Immediate Action Taken in Initial Reports of Corruption? Why is no swift action taken in the early reports of corruption, and why does it take a long time before authorities react only when the issue has snowballed into a major avalanche, causing far greater damage? If, at the outset, immediate investigations had begun into the banking and customs corruption cases involving sums of 3 trillion, 7 trillion, and 12 trillion tomans, the damage could

have been addressed with less destruction and impact on the economy. Early intervention would have mitigated the harm more effectively. If oversight of the economy were strengthened through a discreet network of inspectors, auditors, and adherence to financial and banking standards and if the invisible hands of law, standards, and powerful regulation were allowed to function then certainly unauthorized access to bank and financial resources would be reduced. Unfortunately, until corruption becomes massive, no one provides reports or disclosures about the process of wrongdoing. However, if such monitoring is conducted discreetly and with the support of high-ranking officials, and if we witness the work of invisible forces like regulations, standards, and reports from inspectors and auditors, then we can gradually prevent such misconduct and the escalation of massive corruption cases. Moreover, until a strong will from senior officials to tackle these networks is formed and supported, we will continue to witness the emergence and spread of even bigger corruption scandals. Sadly, both the media and officials often focus only on massive figures and the growing thickness of financial corruption files, while smaller violations are neglected. Instead, a standardized approach to accounting, auditing, and inspection must prevail across all sectors of the economy, to prevent large-scale financial corruption within economic entities. No group should be allowed to continue their major or minor violations under the guise of influence in various institutions and agencies. Therefore, new strategies must be devised regarding how cases are handled, how information is disclosed, and how transparency is achieved. This would help boost the morale and confidence of economic actors and the general public. Because if some individuals report violations by others for political gain and others retaliate with fabricated cases and attempt to tarnish reputations the result is harm to the national economy. Such cycles will weaken productive investment, job creation, and efforts to solve the country's pressing problems. The financial flow in banks, credit



systems, licensing for imports and exports, and other regulatory areas must be streamlined. Emphasis must be placed on the transparency of the economy, trade, and production. Instead of focusing solely on monetary transactions, the foundation of economic encouragement should be production, employment, and investment. The invisible hand of the market, along with the supervision of auditors and inspectors, must prevail over economic activities. The watchful eyes and alert minds of certain auditors and inspectors in banks, customs offices, and various governmental and private institutions including the Ministry of Economy, the Plan and Budget Organization, the Supreme Audit Court, the General Inspection Organization, the Consumer and Producer Protection Organization, the Organization for Oversight of Pricing, Production and Distribution of Goods and Services, and others must ensure permanent and continuous control over the economy. Accordingly not only should independent accounting, auditing, and oversight institutions be present as monitoring tools of the Central Bank and protectors of the people's rights, but also there should be constant supervision over banks' operations. Furthermore, the handling of corruption cases should be accelerated, and once the first reports of violations emerge, they must be immediately reviewed by a specialized banking court. In such cases, financial circulations like the 3 trillion or 12 trillion toman embezzlement cases should not be allowed to grow over several years. Instead, serious and swift action must be taken at the first sign of billion-toman irregularities and the usual methods employed by violators. The dimensions of economic corruption are not limited to banks; they are also reported in customs, markets, goods distribution, and other areas. Unfortunately, certain groups and networks import low-quality goods into the country under the guise of high-quality products or label them as children's toys to ease customs clearance. Meanwhile, various mobile phones are smuggled into the country with underreported tariffs and undervalued imports. In contrast, during export, the value of the same goods is

exaggerated. Additionally, some food items and medicines that lack required standards and health quality are dumped into the market by importers and sold at high prices with minimal market supervision in place. As previously mentioned, Mohammad Reza Rahimi, the First Vice President under Ahmadinejad's administration, was arrested in March 2014 due to his involvement in an economic corruption network specifically concerning the Iran Insurance embezzlement and currency-related cases. His case was initially reviewed by the Tehran Province Criminal Court, which sentenced him to 15 years in prison, repayment of 2.85 billion tomans, and a 1 billion toman fine. However, Rahimi appealed the verdict. Eventually, in February 2015, Branch 11 of the Supreme Court reduced his sentence to 5 years and 91 days in prison, along with an obligation to repay the 2.85 billion tomans and a 1 billion toman monetary penalty. According to the *Asr-e Iran* news website, Rahimi's conviction served as a historical irony to Ahmadinejad's administration, which frequently claimed to be the most clean-handed government. Ahmadinejad had repeatedly affirmed his government as the cleanest government and called those who spoke out against those around the tenth government as traitors who intended to weaken the government. The strange and bold statements used by Ahmadinejad become highly meaningful in light of the fact that his own first deputy was deeply entangled in an economic corruption case.

The news site had further added that Ahmadinejad's own record from his tenure as governor of Ardabil, to mayor of Tehran, and finally as president must be thoroughly and impartially investigated. It also reminded readers that Mohammad Reza Rahimi, despite being convicted of economic corruption and sentenced to prison, had for years held the position of head of the Economic Corruption Task Force. This, the report noted, is one of the bitter ironies of Ahmadinejad's era. In June 2015, mass media reported that Hamid Baghaei, Ahmadinejad's second vice president, had also

been arrested for embezzlement involving 80 trillion rials (8,000 billion tomans). He became the second vice president from Ahmadinejad's so-called "clean" administration to face corruption charges. However, his trial remained behind closed doors, and no transparent outcome was reported. The head of the judiciary at the time had even stated that neither Rahimi nor Baghaei were held in Evin Prison. How Rahimi who had previously been in Evin was released remained a mystery. In early July 2015, news outlets reported that during Ahmadinejad's administration, an Iranian oil rig had gone missing. It was later revealed that the rig had been found stationed in the Gulf of Mexico. A member of parliament disclosed this, and subsequent investigations showed that under Ahmadinejad's government, the Ministry of Oil had purchased the rig for \$87 million from a Western company. However, since the payment had not been completed, the rig, which had been temporarily located in Dubai, was returned and relocated to the Gulf of Mexico. It remains unclear whether officials in the Ministry of Oil had embezzled the foreign currency intended for the full payment and diverted it for personal gain yet another suspected case of foreign currency embezzlement. The details of this case have not been clarified. Widespread reports were made of questionable purchases during the previous government, particularly concerning oil rigs. For example, in July 2015, some media reports provided details about the purchase of a rig known as "Forgia." According to the reports, a large sum was paid by the Iranian Offshore Engineering and Construction Company (IOEC) to the seller, but no rig was ever delivered. The story was that a Romanian company was to provide the rig, but later claimed it could not deliver it to Iran due to international sanctions. As a result, an intermediary company called "Dean" entered the deal. This company received the money from the Iranian side, and the contract—worth around \$87 million was to be paid in four installments. The first installment was supposed to result in the rig's delivery. However, despite all four payments being made, the rig was never delivered. Later,

the Romanian supplier claimed it had never received any money from the Iranian side, and by July 2015, it was revealed that the intermediary company “Dean,” which had received the funds, did not even exist. It’s worth noting that in any government and at any time, economic corruption or misconduct may occur. However, when the scale of violations and corruption becomes so large within an administration, it reflects a lack of effective oversight. Clearly, these were systematic plans to exploit opportunities especially by those who claimed they were part of the “cleanest government in the history of the Islamic Republic.” In late August 2015, Saeed Mortazavi after several rounds of trials and extensive misconduct in the Social Security Organization—was sentenced to only one year in prison and repayment of funds. Mortazavi had been Tehran’s prosecutor in the 2000s and was later appointed by Ahmadinejad to head the Social Security Organization after the events of 2009. And as for the reality of how the so-called “sanctions profiteers” operated during Ahmadinejad’s second term: when corruption is linked to profiteering from sanctions, things become even more complicated. After Iran’s historic nuclear agreement with the U.S. and the P5+1 in July 2015, then-President Hassan Rouhani, in his last televised interview, called on these profiteers to find another line of work. Quick calculations revealed that billions of dollars had been made solely through the import of goods by those benefiting from the sanctions. Hamid Baghaei, Ahmadinejad’s Executive Vice President, also was convicted on all charges. Baghaei’s defense lawyer stated that his client, who served as the executive vice president under former President Mahmoud Ahmadinejad, was convicted on all the charges outlined in the indictment issued by the prosecutor's office. The court handed down the maximum sentence for each of the charges. According to a report by *Tasnim News Agency*, Mehran Abdollahpour, Baghaei’s lawyer, mentioned that his client has appealed the ruling issued by Branch 1057 of the Government Employees Court. However, the appeals court has not yet assigned a branch for the

case. He further noted that Baghaei has objected to the verdict both procedurally and substantively, and added: “We fundamentally object to the case itself and to the issued verdict.”

### **Ahmadinejad's criterion of honesty**

Mahmoud Ahmadinejad's criticisms of Iran's judiciary are nothing new. In early winter of 2017, he launched harsh attacks against the judiciary, and it seems unlikely that these assaults will end anytime soon. In fact, this path is one Ahmadinejad started midway through his second term as president, and the further he went, the more aggressively he continued on this path. Throughout this period, Ahmadinejad consistently repeated two points: first, that the behavior and actions of the judiciary were unacceptable; and second, that during his presidency, certain forces prevented him from voicing his opinions on the matter. However, both of these arguments seem like unfounded excuses for his current criticisms. Ahmadinejad, who accused the judiciary of negative behavior, brought a person from this branch into the executive branch in the tenth administration whose behavior presented an unfavorable picture of the functioning of the judiciary. Mortazavi's behavior had already created a negative image of the judiciary. More importantly, Mortazavi joined Ahmadinejad's administration at a time when he had already been expelled from the judiciary a judiciary that Ahmadinejad now harshly criticizes. At that point, Mortazavi had virtually no defenders neither among political activists nor observers, and not even within the leadership—regarding his actions in the summer of 2009, particularly in the Kahrizak detention center incident, which the Supreme Leader himself described as a “crime.” Nonetheless, Ahmadinejad became the political shelter of a man whose actions had been widely condemned. To keep Mortazavi in the position of managing director of the Social Security Organization, Ahmadinejad even changed the organization's bylaws, and when parliament moved to impeach his labor minister,

he accepted the impeachment but still stood by Mortazavi. For some of his supporters, this might have seemed like loyalty or political integrity, but in reality, it clearly illustrates the contradiction in Ahmadinejad's approach to criticizing the judiciary. When putting all these facts together, the most natural conclusion is this: Ahmadinejad's support for people like Mortazavi and Baghaei, combined with his attacks on the judiciary, do not stem from a concern for justice they are political maneuvers for survival. From another angle, it becomes even clearer. Ahmadinejad's selective criticism of the judiciary only when it involves his inner circle—reveals not a sense of justice, but political opportunism. His past attacks on the judiciary during his presidency for example, when Ali Akbar Javanfekr was imprisoned, or during the infamous “Black Sunday” in parliament during the impeachment of his labor minister also show that contrary to his current claims, he was neither silenced nor restrained in voicing criticism at the time. The key point is this: Ahmadinejad's voice was raised only in defense of his allies and loyalists not out of broader concern for justice or fairness.

### **Some of Ahmadinejad's controversial and shocking revelations**

After the court ruling against Hamid Baghaei in March 2018, Mahmoud Ahmadinejad broke his silence and spoke about what he described as systematic corruption among the country's top officials. In a letter to the judge presiding over Baghaei's appeals court, Ahmadinejad disclosed instances of financial corruption and favoritism involving prominent institutions and senior officials. In parts of this letter, he wrote:

- *“A bunch of thieves are sitting at the top of the country and accusing everyone else of theft. In the entire 2,500-year history of Iran, there have never been this many thieving officials!”*

- *“If only Imam [Khomeini] were alive to see the extent of corruption gripping the country! If only he could hear that the people are all saying in unison: ‘God bless the Shah’ and ‘If only the revolution had never happened!’”*
- *“Mr. Haddad Adel, during his tenure as Speaker of Parliament, approved state budgets for private institutions, while personally overseeing at least two such institutions that received public funding drawn from oil revenues.”*
- *“Mr. Larijani, also a Speaker of Parliament, simultaneously served as the head of the Martyr Motahari Foundation, annually allocating and spending public funds for it.”*
- *“Figures like Mesbah Yazdi, Reyshahri, Emami Kashani, Shahrودي, and Javadi Amoli—all senior officials—also run educational or cultural institutes funded by public money and oil revenues.”*
- *“Mr. Velayati runs two private institutions that receive billions of tomans each year from the public treasury.”*

Ahmadinejad added: *“If such aggressive and irregular legal proceedings are justified, then isn’t it necessary to investigate the 63 personal bank accounts of the head of the judiciary—accounts that operate without legal oversight, whose monthly tens of billions of tomans in interest are spent solely at his discretion?”*

He continued: *“Shouldn’t there also be investigations into the Foad Rey Company, affiliated with Mr. Reyshahri, whose hundreds of billions of tomans in losses and debts were covered by the Executive Headquarters [Setad Ejraei]? Or into the NAJA Cooperative Institute and Ghavamin Bank, which squandered thousands of billions in public funds?”*

Ahmadinejad also reveals the following documents:

Larijani family owns five villas of 1,000-square-meter in the prestigious Kensington area of London. Documents show that two of these villas were purchased by the Saudi royal family and gifted to the Larijani family. The combined value of the two villas is \$8 million USD. One of these villas is registered in the name of Zahra Larijani, daughter of Sadeq Larijani, and was purchased for approximately €2 million. Another villa is in the name of Javad Larijani, which according to available documents, was gifted to him by British intelligence services. This villa is valued at \$3 million USD. The last villa belongs to Fazel Larijani and, based on the documents, was originally bought by Babak Zanjani. The payment was made via Turkey's Central Bank, and it was later sold to Fazel Larijani for \$3.6 million USD. These documents were published on WikiLeaks. Ahmadinejad also promised to expose documents related to espionage by the Larijani family. He stated that he holds more than 500 espionage-related documents against them, claiming the Larijani family owns over 5,000 square meters of properties in various locations throughout London. He also asserted that Javad Larijani is responsible for managing the Larijani family's assets around the world. Rahim Mashaei stated: after Ahmadinejad publishes the espionage documents concerning the Larijani family, he will immediately release documents exposing the financial corruption of the heads of the three branches of government. Mashaei added: once documents showing the embezzlement of public funds are published, more than half of the country's senior officials will have to flee Iran, and they will be thrown into the dustbin of history. Following reports on the Larijani family's assets inside Iran, **Ahmadinejad** disclosed the following details: 1- Fazel Larijani owns a Boeing 737-MAX private jet with registration number EP-RHN, currently housed in Iran Air's hangar at Imam Khomeini Airport. The plane is valued at \$125 million USD. 2- Javad Larijani owns:

- 200 hectares of farmland in Saveh. - 315 hectares in Hamedan. - 600 hectares in Dezful. - 190 hectares in Kazeroon. - 23 hectares of saffron cultivation in Torbat



Heydariyeh. 3 - **Ali Larijani** owns: - 150 premium residential land plots in the city of Qom. - 5 residential complexes in Gilan province. - 32 residential units on Kish Island. - 2 factories on Qeshm Island, in the Dargahan area. - A 27-floor residential tower in the Mini City district of Tehran. - A 2,200-square-meter villa in the Niavaran neighborhood of Tehran.

### **Administrative violations during the tenure of the tenth government**

In late September 2016, the 48,000 billion toman conviction of Ahmadinejad's government was publicly revealed in an open session of Iran's National Parliament. A new case was opened against the tenth administration, and apparently, its outcome was also clarified. In that parliamentary session, Mahmoud Sadeghi, then MP for Tehran, announced the issuance of a ruling by the Court of Audit against the government of Mahmoud Ahmadinejad, with a financial penalty totaling 48,000 billion tomans. He added that 12,000 billion tomans of this amount was directly attributed to Ahmadinejad himself. Although there had been numerous reports previously about legal cases involving the 10th government in both parliament and the judiciary, this was the first time a case involving such a massive amount 48 trillion tomans was discussed publicly. But the most important difference was the confirmation of a formal conviction against the government and its head. According to the *Iran* newspaper, Sadeghi head of the parliamentary faction for Transparency, Economic Purification, and Fiscal Discipline stated in the session: "Based on a statement by the prosecutor of the Court of Audit during a meeting of our faction, the tenth government has a confirmed financial conviction of 48,000 billion tomans, of which 12,000 billion tomans is attributed to the head of that government. I request that the Speaker of Parliament and the President of the Court of Audit ensure the enforcement of these rulings." Sadeghi, a member of the Hope faction, added: "During his eight-year presidency, that individual pursued his goals by creating

division, polarization, and chaos in the country's administrative and financial system, squandering more than \$700 billion in oil revenues." However, the fate of the enforcement of this ruling remained unclear. Members of Parliament's Article 90 Commission, which by law also receives rulings from the Court of Audit, told *Iran* newspaper that no such matter was referred to them in the last months of that parliamentary term, which began with the 10th Parliament. Though they acknowledged numerous cases involving the 10th government, this particular case appeared not to have been followed up. The matter remained vague until Sadeghi, in an interview with ISNA later that same day, called on the Court of Audit to explain why the rulings had not been enforced, especially the 12 trillion toman case directly involving Ahmadinejad. He said: "Mr. Ahmadinejad has received a final and confirmed conviction. Even after his appeal, the 12,000 billion toman fine against him was upheld by the Court of Audit, yet the ruling has not been enforced." Sadeghi concluded by saying that in a meeting with Fayyaz Shujaei, the Court's prosecutor, this issue was confirmed, and he asked what the obstacles to enforcing these rulings were. Also On July 30, 2017, the Court of Audit announced that Mahmoud Ahmadinejad personally committed financial violations amounting to 7 trillion tomans.

In this regard, Fayyaz Shojaei, the prosecutor of the Court of Audit, told *Etemad* newspaper: "The violations committed by Mr. Ahmadinejad, which caused damage to public funds, have been investigated by the Court of Audit. Seven rulings have been issued: five related to the oil sector and two non-oil cases. All the rulings are final and currently being enforced. All of them have been reported to the parliament, and the parliament has full authority to act on them. The damages caused by his decisions are so massive that we practically cannot enforce the judgment. What are we supposed to do? Mr. Ahmadinejad will never possess 7 trillion tomans worth of

assets for us to confiscate and return to the treasury. Therefore, enforcement of the judgment may not be possible.” He continued: “From the 48 trillion tomans of violations attributed to the 10th government in 2015, about 5.1 trillion tomans have been collected through enforcement of rulings. However, the full amount of the 48 trillion will likely never be recovered. The violation exists and remains unresolved.”

Specific administrative violations are listed below:

**1- Direct Orders by Ahmadinejad:** Mr. Ahmadinejad gave direct illegal orders. For instance, administrative channels had processed cases and concluded that certain actions could not be done, but he simply wrote “*In the name of God, proceed!*” on the document. He did not appear in person to defend himself; his defenses were submitted in writing. However, at that time, he would explain things in a tone that said it had nothing to do with you, but after his presidency, he would explain things in detail.

**2- seven Trillion Toman Violation Case:** Ahmadinejad was convicted in a case totaling more than 7 trillion tomans. The ruling was final and officially reported to parliament. The case involved the unlawful transfer of 26 trillion rials (2.6 trillion tomans) from the 85.5% share of condensate sales to petrochemical companies, and 44 trillion rials (4.4 trillion tomans) from the 14.5% share of the National Iranian Oil Company and Articles 16 and 38 of the VAT law all redirected to the Targeted Subsidy Organization. These actions were ruled as violations because the funds were diverted without legal authorization.

**3- Oil-for-Gasoline Swap Case 4.6 trillion Toman Loss:** Ahmadinejad also ordered crude oil to be exchanged for gasoline and other condensates, despite legal limits. The law allowed for \$2.5 billion worth of crude oil to be exchanged for gasoline. Any additional transactions had to be funded by the National Oil Company and sold at market rates. Instead, his directive led to excess crude being swapped and distributed at a subsidized rate of 100 tomans per liter, which resulted in a massive loss.

**4- 15 billion Toman violation Red Crescent Society:** Another case involved the financial operations of the Iranian Red Crescent,

where Ahmadinejad was held responsible for a 15 billion toman violation.**5- 16 billion toman misuse Iranian University:** In another case, 16 billion tomans were illegally transferred to Iranian University, a private institution owned by Ahmadinejad himself. This full amount has since been recovered. **6- 600 billion Toman Violation National Petrochemical Company:** The final cited case involved the National Petrochemical Company, where 600 billion tomans in confirmed violations were recorded under Ahmadinejad's administration.

### **Larijani gang's revelation against Ahmadinejad.**

Part of the Ahmadinejad government's corruption storm is as follows:

1-Wasting the balance of the foreign exchange reserve fund. 2- Corruption of 32 billion toman in the Ministry of Science, and 16 billion toman at *Iranian University*. 3- Embezzlement of the 3,000 billion toman scandal (known as one of the largest financial frauds in Iran). 4 - Embezzlement in Iran Insurance in April 2010, which leading to the conviction of Ahmadinejad's first Vice President. 5 - Failure to return government vehicles and Illegal seizure of treasury property. 6 - **Hague** court ruling against Iran over illegal oil swap deals. 7 - Babak Zanjani's state-sponsored financial corruption (2.5 billion euros). 8- Financial irregularities of 1.4 trillion tomans at Azad University. 9- The Kahrizak detention center atrocities, directed by Saeed Mortazavi. 10 - Embezzlement and financial corruption in the Social Security Organization. 11- Widespread violations in the Iran-Turkmenistan railway project. 12 - The mysterious fate of a missing \$87 million oil rig. 13 - Illegal handling of a \$700 million project and \$220 million embezzlement in the Atrak–Barekat project. 14- Importing luxury cars instead of essential goods using subsidized foreign currency, valued at 3,600 billion tomans. 15 - \$42 billion in undocumented financial transactions through the banking system. 16 - Discovery of \$5.18 billion being transported by truck from Iran to Turkey by an Iranian trader (Esmail Safarian

nasab). 17 - Seven trillion tomans of rent-seeking by three money changers in collaboration with the Central Bank. 18- Embezzlement of 12,271 billion tomans in Bank Tejarat, Kerman. 19 - Central Bank's \$22 billion foreign exchange violation. 20 - The embezzlement of 94 trillion tomans related to the *Padideh Shandiz* company. 21- Payment of money to 170 representatives by Rahimi, the first vice president of Ahmadinejad which convicted to corruption and embezzlement. 22- Economic corruption and land grabbing by IRGC-linked individuals. 23- embezzlement 123 billion toman in *Bank Saderat*. 24 - Embezzlement of 80 billion Tomans at the Fuel Headquarters. 25- Corruption resulting from multiple exchange rate systems. 26- Payment of 50 billion Tomans fine to The Hague Court for unilateral cancellation of gas contract. 27 - Failure to deposit eight trillion tomans of oil revenue from refineries into the government treasury and failure to deposit gas export revenue to Türkiye in 2013. 28- MPs receiving 30 to 90 million tomans from Rahimi. 29 - \$100 million worth of black veil fabric imports and millions of dollars worth of corruption in the black market of "Best Hijab". 30 - The 200 trillion-dollar disaster of bank arrears. 31- Corruption case of 6500 billion Tomans loan given to an individual without documentation. 32 - 900 billion rials corruption in the fuel headquarters. 33 – embezzlement of 324 billion toman by the CEO of *Tabarak Company*. 34 - Land grabbing and fraud in *Padideh* stock sales. 35 - embezzlement of 617 million toman by a rural mayor in Khorasan Razavi province. 36 - Embezzlement of 670 billion rials at customs. 37 - embezzlement of 800 million toman in *Sirjan municipality and city council*. 38 - embezzlement of 100 billion toman by the *Ilam Petrochemical CEO*. 39 - 100 million toman bonus to the *CEO of Telecommunication Company of Iran*. 40 - Three billion Tomans bonus for the boards of directors of four banks. 41- 8 billion toman bonuses to six board members of *Parsian Bank*. 42 - Embezzlement of 5.3 billion Tomans at Iran Khodro Company. 43 - embezzlement of 12 billion toman in *Imam Khomeini Relief Foundation*. 44 - Multi-billion Corruption in the

*Cultural Heritage Organization.* 45 -Embezzlement in the *Justice Shares* program.46 - Two billion dollars of rent-seeking in the import of basic goods. 47 - Import of 27,000 luxury cars, including Porsches and Lexuses. 48 - Financial corruption in *Chabahar customs* and arrest of its director. 49 - corruption of 167.5 billion toman in Bushehr province. 50 - Illegal occupation of 55 hectares of national land in Alborz province. 51- A lawyer's 20 billion Tomans fee for a case in Markazi Province.52- Transfer of 20 trillion tomans to Arab countries by Hamid Baghaei (exposed by an MP).53- Corruption in the sale of Qeshm Airport. 54 - embezzlement of 300 billion toman in a bank in Isfahan. 55 - *Kamran Daneshjoo* implicated in land-grabbing schemes. 56 - Azad University's 1400 billion tomans violation.57 - The second oil rig that turned out to be scrap metal on UAE shores. 58 - Financial irregularities of 13 trillion Tomans and land grabbing in the Qeshm Island and Free Zone. 59 - Arrest of former director general of Sistan and Baluchestan Grain and Commercial Services Organization on charges of flour smuggling and organizational housing case. 60- The legacy of a debt of 758 trillion Tomans in the last year from Ahmadinejad's tenth government. 61 - Illegal construction of the Iranian Broadcasting Corporation in Abbasabad, Tehran. 62 - Unlawful license for a **7-star** forest hotel, granted via special connections. 63 - Illegal scholarships for 3,000 students to study abroad.

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## **Chapter 5**

### **Financial irregularities and economic corruption in the 11<sup>th</sup>, 12<sup>th</sup>, and 13<sup>th</sup> governments**

#### **Oil Minister's statement on new oil case**

In late October 2015, then Minister of Oil announced that a new oil-related case had been sent to the Headquarters for Combating Economic Corruption. According to ISNA, Bijan Namdar Zangeneh, the Minister of Oil in the eleventh government, commented on the fate of the \$87 million oil rig that went missing during the previous administration. He said: "The case of the mentioned oil rig is being pursued by the Headquarters for Combating Economic Corruption, but there is a more extensive oil-related case as well." The Minister of Oil continued: "I sent a letter on this matter to Mr. Jahangiri, the First Vice President, so it can be reviewed and followed up by the Headquarters for Combating Economic Corruption." The Minister added: "In previous years, activities regarding oil rigs have occurred that were economically unhealthy and need to be investigated." Regarding the fate of the missing oil rig, Zangeneh told the Parliament's news agency: "The previous oil rig is still missing; however, based on received information, it is currently drilling in the Gulf of Mexico." He added: "Fortunately, the judiciary is pursuing the case of the missing oil rig, and individuals have been arrested in this regard." In the same context, a member of the presidium of the Energy Commission said: "A large part of the contract for the oil rig purchase involved China, Romania, Turkey, and the Netherlands, and the number of missing rigs may even reach 17 or 18."

Amir Abbas Soltani, in a conversation with *Khane-ye Mellat* (House of the Nation), pointed out that the oil rig issue happened under the pretext of sanctions. He added: "Because sanctions were in place, certain individuals attempted to bypass them by purchasing through intermediaries. They established a fake company in Turkey and signed a contract for a worn-out and unusable oil rig with this Turkish company for \$87 million. The entire payment for the rig was immediately given to intermediaries." Soltani added: "The company 'Turk Merod' bought the worn-out rig from a Romanian company for \$62 million. In this process alone, the intermediaries pocketed \$25 million. It was later revealed that the founders of the intermediary company only paid \$8 million to the Romanian company and split the remainder among themselves." According to him, there have been significant financial violations in this matter, and it does not end with one rig and \$87 million. In fact, the case of the drilling rig purchase was sent to the judiciary and the Inspection Organization, but so far, no action has been taken. This member of parliament added: "These contracts were practically not implemented and were made through intermediaries, which is currently under investigation." The member of the presidium of the Energy Commission announced: "At present, the Chinese say that after the contract was signed, we manufactured the rigs, and now they are left unused. The Chinese alone have demanded \$800 million in damages for building the rigs."

### **Widespread corruption in the purchase of oil rigs**

Rahmani, CEO of the Marine Engineering and Construction Company, explained to the media outlet *Iran*: A \$2 billion contract was signed to purchase 30 oil rigs, even though we had no need for them. These rigs were bought at highly inflated prices, and we have not received them yet. But whether they are delivered or not, we will incur losses. At a time when the cruel Western sanctions against Iran were



intensifying, some claimed that these sanctions were just worthless pieces of paper and would have no effect on the country's economy. However, it quickly became clear that both the domestic and international consequences of these sanctions were highly damaging from cutting off international trade relations and reducing foreign exchange revenues, to the rise of intermediaries and profiteers in the shadow of sanctions. Yet those benefiting from the sanctions continued to deny these effects. Undoubtedly, the oil industry suffered the most. So much so that oil brokers, both in the private and public sectors, were active. One of the most well-known of them sold over 2 billion euros worth of Iranian oil and never returned the money. In 2015, the Minister of Oil revealed another oil-related rent-seeking scandal, again tied to the sanctions. Bijan Zangeneh spoke of an oil rig for which \$87 million had been paid, but it was never delivered to Iran. While this rig belonged to the private sector of the oil industry, it was connected to national capital and interests. The former management of the Marine Engineering and Construction Company a prominent offshore oil and gas firm in the Middle East had purchased the "Fortuna" rig during the sanctions to take advantage of sanctions-related rent. However, with the arrival of the eleventh government and its efforts to lift the sanctions, such oil-related profiteering significantly declined, and now many of these companies have revived. Yet, the damaging effects of the sanctions and associated rent-seeking are still visible, especially in the private sector. In this regard, Abolghassem Rahmani, CEO of the Marine Engineering and Construction Company, told *Iran* newspaper: "Contrary to what was assumed, sanctions were very costly for the private sector of the oil industry. In the 2010s, we witnessed rent-seeking and brokerage under the pretext of sanctions, which jeopardized both the company's and the country's interests for the benefit of a few profiteers." He revealed instances of fake large bonuses and reckless purchases within his company. He said: "Those who believe the JCPOA (nuclear deal) had no impact on the country should realize that even the

reduction in rent-seeking and brokerage is one of its clear benefits. During the sanctions, we paid \$87 million for a rig that never even entered the country." He added: "Of course, there were other rig cases as well, unrelated to our company, and we are not responsible for providing their details."

### **Thirty \$2 billion rigs to buy without real need**

The purchase of 30 drilling rigs for \$2 billion has been one of the violations involving procurement from China. These rigs were acquired despite no domestic need for them. However, under the pretext of sanctions and through an impulsive act, they were bought at an exorbitant price. These contracts are not unlike the case of the missing Fortuna rig. Rahmani stated that the drilling rig purchase contracts were signed in two parts during the peak of the sanctions with a Chinese company. According to the contracts, the company purchased 10 onshore rigs and 20 offshore rigs. He added that the value of these contracts was \$2 billion, and as a result, the Offshore Engineering and Construction Company suffered severe losses. Rahmani emphasized that this deal was a lose-lose transaction, saying: "We bought these rigs at a very high price and still haven't received them. Whether we receive them or not, we will undoubtedly incur losses." He continued: "These rigs do not benefit the company's operations in any way, and we don't know how to respond to this contract at this point." The CEO of the Offshore Engineering and Construction Company added: "So far, we have paid \$130 million in advance to the Chinese company and have only received 5 offshore drilling rigs. We have hired a lawyer in France to resolve this issue, hoping their efforts will minimize the company's losses, and we are seriously pursuing amendments to these contracts." Regarding the \$87 million Fortuna rig, Rahmani stated that part of this amount had nothing to do with the actual contract; rather, it was bribes and special commissions for intermediaries. He continued: "This rig is not coming to Iran, but we are trying to recover part of the

money.” Rahmani also revealed that the Offshore Engineering and Construction Company had registered two companies outside Iran during the sanctions period to help continue operations. However, the CEOs of these subsidiary companies awarded themselves large, unjustified bonuses, and they are currently operating abroad without any issues. One of them received 60 million AED, and the other received 67 million AED as unjustified bonuses. The CEO added: “According to the laws of other countries, if a company has 25% positive performance, the CEO can receive a portion of the company’s profit. Since these companies’ activities were falsely evaluated as positive, the managers used this 25% profit clause and awarded themselves profits. It seemed legal, but in reality, it was just fabricated invoicing.” He said: “To counter the sanctions, we had purchased equipment and vessels, all of which were registered in trust under these companies’ names. We are now trying to transfer ownership of these assets, but so far, we have not succeeded.” Rahmani also mentioned that both offending managers are well-known figures in the country, adding: “Currently, we cannot take any action to recover the money either in Iran or in Dubai. The main company CEO at the time does not consider himself responsible for these issues, and the two other managers are also denying any responsibility.” Although the former CEO of the Offshore Engineering and Construction Company has a pending legal case, no final ruling has been issued yet. He added that in 2014, when this violation was uncovered, the new board of directors seriously pursued the matter. At one point, through legal efforts in Dubai, there was an agreement to return the funds to the company but in practice, this did not happen.

### **Disclosure of astronomical salaries**

Another case of institutional corruption was the disclosure of astronomical salaries received by the CEOs of state-owned banks and government officials, which was revealed in June and July 2016 by some political opponents of the administration.

According to credible reports from Fars News Agency, the CEO of the Workers' Welfare Bank (Bank Refah Kargaran) received over 2.3 billion IRR (approx. \$76,000 at that time) on the late March 2016. Following the publication of a news headline titled "Aristocratic Management Obstructing Resistance Economy: People's Livelihood Undermined by 234 million Toman Salary" on June 8, 2016 in *Kayhan* newspaper highlighting excessive payments to a bank executive the then First Vice President ordered a thorough investigation. The Minister of Economic Affairs and Finance was also instructed to review the case and report back. However, the Minister of Cooperatives claimed there was no wrongdoing at the Workers' Welfare Bank and explained that the mentioned salary was actually an annual aggregate, not a single month's salary, and that it had not yet been approved by the minister. Nonetheless, payment records show that the CEO of the bank received salaries of 150 million tomans in Sept. 2015. And suddenly 230 million tomans in March 2016. According to Fars News, regarding the excessive salaries of state executives, Judge Seraaj, head of the General Inspection Organization, said: "So far, through our inspections, we have identified 50 executives receiving extravagant monthly salaries of 50 million tomans or more." MP Pour Ebrahimi also commented: "While 3.5 million people in the country are unemployed, some individuals receive salaries 100 times greater than the minimum wage. This creates widespread public dissatisfaction." As a result of the revelations, the CEO of the Workers' Welfare Bank was dismissed. In a special news interview, Mohammad Baqer Nobakht (government spokesperson at the time) acknowledged: "The payment system for state executives is unfair. The net income of executives should not exceed 10 times the net income of the lowest-paid employee in the same organization." He added that these excessive salaries and bonuses were based on authorizations issued during President Ahmadinejad's administration, but the law must now be changed. According to the president's order, companies, banks, organizations, etc., will no

longer be able to charge any wages outside of the new regulation, which allows a maximum of 10 times the minimum wage. President Hassan Rouhani also declared: “Anyone who cannot work under these conditions should leave this government.” Finally, in an open session of parliament in July 2016, MP Nader Ghazipour raised a warning, stating: “In the Ministry of Health, salaries are astronomical up to 500 million to 2 billion tomans creating serious concerns.” A member of the Islamic Consultative Assembly (Iranian Parliament) also pointed out the extravagant payments to physicians, stating: “This issue has caused many doctors to focus on treatment rather than prevention and public health, because there is no financial incentive for working in the prevention sector.” Mousavi Lari also commented: “The issue of disclosing salary slips is being used to cover up major embezzlements, and the pressure on Rouhani’s government has become even greater than during Khatami’s administration.” Meanwhile, the spokesperson for the Cyber Organized Crime Investigation Center announced that: A hacker who recently infiltrated Iranian government websites managed to access databases of various government agencies, including 3,000 salary slips. Regarding this matter, the head of the Article 90 Commission of Parliament stated: “950 individuals from the banking, insurance and state-owned Companies sectors are receiving unusual salaries. Their monthly salaries range from 15 million tomans to 50 million tomans, with fewer individuals at the higher end of that range.” Judge Mohseni Ejei, spokesperson and First Deputy of the Judiciary, stated: “The exposure of these astronomical salaries is not an attack on the government. These salaries are completely unacceptable, and inspections have begun.” In a special news interview, he explained: “The General Inspection Organization has started its review, and one ministry alone submitted a list of 50 executives each earning over 40 million tomans per month. Some claimed the publication of these salary slips was an attack on the government, but I disagree with

that view.” He emphasized that: Laws must be revised. Dealing with powerful and wealthy individuals is not easy. They operate in complex ways that make uncovering their misconduct difficult it takes time, The President of Tehran University of Medical Sciences addressed a claim about a salary slip amounting to 228 million tomans allegedly linked to the Minister of Health, saying: “As the person who signs the minister’s academic appointment since he is a faculty member of our university I confirm that he only receives a gross salary of 8 million tomans (before tax) from the university. He does not receive any other payments from either the university or the Ministry of Health. From the Office of the President, he receives a management bonus of approximately 4 million tomans.” Regarding the leaked salary slips, Tehran’s Prosecutor General stated: “The recently arrested hacker intended to exaggerate and undermine the credibility and security of Iran’s electronic systems. Contrary to his claims, he did not have access to 3,000 salary slips of government officials.” However, during the same year, state-run media published various reports on excessive and irregular salaries of regime leaders and officials, resulting in the resignation of some mid-level managers. In the oil sector, it was revealed that: Executives in oil companies receive salaries exceeding 50 million tomans per month, with 50 managers in the oil industry self-reporting an average salary above 50 million tomans. Among the list of oil industry executives, three managers from an oil development company identified by initials as “M.J.”, “H.M.”, and another M.J.” received annual incomes of 559 million tomans, 589 million tomans, and 517 million tomans, respectively. The former CEO of the Oil Finance Company also had an annual income of 684 million tomans. Another executive, identified as “A.D.” from the National Iranian Oil Company, earned 552 million tomans in a year, while the head of an oil-affiliated educational institution had a yearly income of 555 million tomans. According to news reports, Safdar Hosseini, head of the National Development Fund, resigned along with two of his deputies following the leak of

their exorbitant salary slips. However, after news of his resignation surfaced, the public relations office of the fund announced that Mr. Safdar Hosseini was present at work that same day. A year earlier, Gholamali Jafarzadeh had first revealed: “A financial misconduct of 170 billion tomans was proven in the Martyrs Foundation, and continued investigations suggest the embezzled amount could be several times higher.” This figure was later confirmed by Amir Khojasteh as well. Ali Sedghi, the former CEO of Bank Refah Kargaran (Workers' Welfare Bank), was dismissed from his position in the 11th administration due to receiving excessive payments. The 170 billion tomans is in addition to the 500 billion tomans that were previously transferred from the Martyrs Foundation to Dubai. Lawmakers following the case stated that the total misappropriated amounts are likely to be significantly higher than those officially announced. \*Alongside widespread public attention and protests regarding exorbitant salaries, the issue of “patronage” (or feudal-style entitlements) in Iran’s administrative system was raised by economic observers as a deeply discouraging factor for society. Warnings were issued from this very platform about the concerning dimensions of this issue. Later, a key question emerged: Why do economic reform policies fail in the face of group interests? This phenomenon came to be discussed in the context of “bad governance”, and was identified under the term “conflict of interest”\*

### **Request for judgments against violators of \$137 million in lost of oil rigs**

On October 20, 2016, the spokesman for the Article 90 Commission of the 10th Iranian Parliament stated: The spokesman detailed certain violations in the case of the “missing oil rigs”, amounting to \$137 million, and called on the Judiciary to take swift and decisive action and issue rulings against the offenders. He also referred to the public sensitivity surrounding the “exorbitant salaries” scandal, reminding that the total amount of those unusual payments was approximately 200 billion tomans,

while in the missing oil rigs case, \$137 million of public funds had been wasted. The MP from Shiraz, in an interview with ILNA, criticized the lack of rulings in the oil rig corruption case, revealing that: An intermediary company, without coordination with the actual owner of the oil rig named *Fortuna*, entered into negotiations with the Iranian Offshore Engineering and Construction Company, signing a sales contract even though there was no rig in existence. He also referred to another purchase contract for an oil rig called “Global Pearl”, which had suffered heavy damage during Hurricane Katrina. It was bought in 2007 (corresponding to Iranian years 1386–1387) for \$37 million and sent to Sharjah for repairs. However, due to sanctions, no company was willing to carry out the repairs. According to expert assessments, the rig is now worth only \$4–5 million, while \$44 million had already been spent on its purchase and maintenance since 2007. Accounting for inflation and currency devaluation, the total loss is well over \$50 million. The MP added: “The problem is that despite clear violations and identified perpetrators, no action has been taken.” He pointed out that while the total unusual salaries amounted to around 200 billion tomans, in contrast, the proven fraud in the oil rig case exceeded \$137 million, yet no measures have been taken especially during the Ahmadinejad administration. He further revealed that there are other cases of corruption from Ahmadinejad's government under review by the Article 90 Commission, some even bigger than the oil rig scandal. He urged the Judiciary to take these cases seriously. The spokesman also mentioned one such case: A 48 trillion toman violation by the Ahmadinejad administration, and a 12 trillion toman violation by Ahmadinejad himself, as reported by the President of the Supreme Audit Court. The Commission plans to hold a session with both the President and the Attorney General of the Court to investigate further under its legal authority. In 2017, Ahmadinejad’s Oil Minister, Rostam Ghasemi, finally acknowledged the devastating impact of sanctions and the disappearance of oil rigs, which had been previously denied by officials in his



government. In a televised debate on the role of oil in Iran's economy, Ghasemi and Mansour Moazzemi (advisor to oil Minister in the 11th government) participated. In this debate: Ghasemi admitted for the first time that the sanctions had severely harmed Iran's economy. He also confirmed for the first time that an oil rig had gone missing during Ahmadinejad's presidency something previously denied by his administration.

### **Dual treatment of unusual pay slips and astronomical real estate**

One of the members of the Iranian Parliament, during a public session, warned that the dual confrontation in dealing with exorbitant salaries and luxury real estate cases undermine public trust in the system. According to a report by *Khaneh Mellat* (Parliament News Agency), the MP gave a warning to all executive authorities, including the Islamic Republic of Iran Broadcasting (IRIB) and the three branches of government, stating: "We must act with justice and fairness in addressing public matters, especially those that the public is sensitive about. One example is the exorbitant salary scandal, which, despite the Supreme Leader's emphasis on pursuing the matter, unfortunately led to public humiliation of individuals before any legal verdict was issued." "In contrast," he said, "in the luxury real estate scandal, action was taken against the media and websites that reported on it. Such double standards in response damage public trust in the system, and this is absolutely not in the country's interest." He further emphasized: "Also, no accusation should be made against any citizen from the podium of Parliament, especially those who contributed to the foundation of the system such actions are unworthy." He then requested Mr. Hashemi Rafsanjani to defend himself and clarify the matter for the public in accordance with Article 78 of the Constitution. MP Parsaei added: "I call on the Judiciary to expedite the investigation into major financial corruption cases, including: 1- The 8 trillion toman corruption case related to Babak Zanjani's

network, 2 - The missing oil rigs, 3 - And other oil and economic corruption cases. He demanded that public funds be recovered, and the results of these cases be transparently reported to the public.

### **Municipal property transfer violation case in the prosecutor's office**

On October 29, 2016, Iran's Attorney General announced that violations were confirmed in 45 cases of municipal real estate allocations. Since suspicions were first raised about questionable property allocations to associates and senior managers of Tehran Municipality and members of the City Council under the then-mayor M.G., he denied any wrongdoing, claiming that the allocations were made in accordance with legal permits. However, remarks by the Attorney General, Hojjatolislam Montazeri, in a live TV interview on the program *Special News Talk*, revealed otherwise. According to ISNA News, the Attorney General stated: "Tehran Municipality, given its vast size, had established 104 cooperative companies across various districts, to which a total of 1.7 million square meters of land was allocated. These allocations were not illegal and no violations were found there." But he added: "Some properties were allocated as apartments to certain managers and employees of the municipality. Although the City Council had authorized discounts for such allocations, discounts exceeded the legal limit. For example, where a 30% discount was permitted, they were given up to 50%." He elaborated: "Some individuals who were not homeowners were referred to these cooperatives and received apartments, even though they had not officially joined the cooperative. This poses both formal and substantive legal problems." Montazeri clarified: "According to our investigations, about 150 people from within the municipality benefited from these allocations. They were eligible for certain municipal facilities, but should have first joined the cooperatives—which they did not. Yet, they still received properties with illegal discounts, which must now be returned." He stressed the need to: "Evaluate

the market value of these discounts and determine the extent of the unauthorized reductions.” He further added: “29 individuals outside the municipality received apartments illegally, through external recommendations, and this is a clear violation of the law. Such deals must be invalidated.” The Attorney General continued: “We informed Tehran Municipality. So far, 36 of the 45 contracts have been cancelled, and the remaining 9 contracts must also be voided, as they are clearly invalid.” He added: “We submitted a comprehensive report to the Head of the Judiciary, who then ordered that the case be forwarded to the Tehran Prosecutor’s Office for further action.” However, he concluded by saying: “It’s important to note that we have not found evidence of organized corruption within the municipality. Still, each case must be thoroughly investigated to determine whether any criminal activity occurred.”

### **Another embezzlement in two banks**

In November 2016, the Attorney General of Iran, Hojjatolislam Montazeri, also disclosed a major embezzlement case involving approximately 1,200 billion tomans (about \$375 million at that time) in two major Iranian banks: Bank Melli and Bank Mellat. He stated: "The money has been lost, and the case is still under investigation. Five main individuals have been arrested, and one of the debtors has fled and is currently being pursued by the Tehran Prosecutor’s Office." According to Montazeri’s breakdown: From the 1,200 billion tomans in total: 800 billion tomans belonged to Bank Melli, of which: 300 billion tomans have been recovered. 300 billion tomans were embezzled from Bank Mellat, of which: 120 billion tomans have been recovered. A portion of the stolen funds abroad has been identified and seized by Interpol. He added: “We are actively pursuing the main suspect in this case.”

### **Story of importing Porsche cars in the name of rural women**

the report concerning the import of luxury cars under the names of rural women during 2014–2015, based on the Iran Customs Administration (IRICA) report and as raised by a Member of Parliament in autumn 2017: According to an economic report from Iran’s Customs Administration, the case of importing luxury vehicles under the names of impoverished rural women a matter raised by an MP in autumn 2017 was not related to vehicle smuggling, but rather a case of tax evasion. The report categorically denied the claim that the imported Porsche cars were smuggled, stating: “The issue was merely the evasion of taxes by profiteers seeking to avoid paying commercial tax on customs cards (business licenses).” Iran’s Customs was, in fact, the first organization to file complaints against the abuse of these “one-time-use” business cards. The report detailed that: Some importers exploited poor rural men and women by registering customs cards in their names through the Chamber of Commerce and using those cards to import luxury vehicles. This practice continued for years until customs digitization and the launch of an integrated customs tracking system made it possible to trace imports by individual cards and track goods especially cars per importer. During a review of 2015 customs operations, officials discovered: Hundreds of luxury vehicles had been imported under the names of two women. Further investigation revealed that all proper legal steps including order registration, customs clearance, and duties had been followed, but: These women were rural residents with less than 10 million tomans in personal assets. Yet, luxury vehicles worth billions had been imported under their names. Based on suspicions of tax evasion, the then Director General of Iran Customs ordered a deeper investigation into their identities. Findings showed that the women had been used unknowingly. Their tax liability alone amounted to several billion tomans. As the matter intensified: Several Porsche vehicles were seized, especially in Mazandaran province, under the direction of the Mazandaran Customs Director General. In retaliation, Ms. M.D.D., the real beneficiary of these imports, filed legal

complaints against customs officials, accusing them of unlawful seizure. Ten Porsche cars linked to this group were being held at the Nowshahr Port customs facility at the time. However, the controversy did not end there. In fall 2017, a Member of Parliament gave an incorrect and misleading account, involving a poor elderly woman, and misrepresented the entire matter, claiming 600 Benz and Porsche cars had been imported under her name. Notably: This MP never held a meeting with customs officials to verify the facts, the Mazandaran Customs Director, who had stood firm in tax recovery and resisting the abuse of rental/temporary business cards, became the subject of over 30 legal complaints by profiteers. and he had to appear in various courts to defend the customs' stance and the lack of accountability by agencies responsible for issuing such misused business cards particularly in relation to the rural woman involved.

### **Economic corruption in 2017**

Regarding the economic corruption case of 2017, based on the journalist's report titled *"Who is behind the mafia of illegal imports of around 6,500 vehicles?"*

The month of July 2017 is one, that many will not forget the day when the vehicle import registration website was shut down by the Trade Promotion Organization under the order of Mohammad Reza Nematzadeh, then Minister of Industry, Mining, and Trade. In the early days of the shutdown, experts and importers believed the system would be reopened within a week, which seemed reasonable at the time since officials had claimed the suspension was due to website updates. Three weeks into the shutdown, Mojtaba Khosrowtaj, Deputy Minister of Industry, Mining, and Trade, put an end to the speculation and announced that the vehicle registration website would remain closed until further notice and that no vehicle registrations would be allowed from the June 25, 2017 onward. The justification was to prevent currency outflow and to curb the mass import of foreign vehicles that had occurred

during the previous year 2016. While the site was offline, the government considered raising import tariffs as a deterrent against mass imports. Eventually, tariffs were increased from **25% to 45%**, which sparked objections from vehicle importers. They filed complaints with the Administrative Court of Justice, which ruled in their favor and ordered the tariffs to revert. However, the Ministry of Industry refused to comply and continued to enforce the new tariffs, prompting importers to seek help from members of Parliament, resulting in a double-urgency bill to restore the previous tariffs. (A Major Violation Uncovered), at the height of the dispute between importers, government officials, and Parliament over the new tariffs, the Vehicle Importers Association revealed a major violation: thousands of vehicles had been registered and imported illegally while the registration website was officially closed. Initially, multiple agencies denied the allegation, but within a month, even the Ministry of Industry, Mining, and Trade acknowledged that the violation had indeed occurred. After that admission, no further official information was released, and authorities claimed the case was under judicial investigation. Notably, the head of the Ministry's security office refused to give any interviews or comment on the matter. (What Actually Happened?) According to confirmed reports by both the Ministry and Iran's Customs Administration, 6,481 foreign vehicles were imported during the period when the import registration website was offline. The Vehicle Importers Association, which brought the issue to light, stated that some importers managed to bring in various foreign vehicles, including prohibited ones (over 2,500 cc engine capacity), during the shutdown. It is alleged that these importers paid bribes ranging from 5 to 20 million tomans to certain intermediaries who granted them illegal access to the Trade Promotion Organization's system, allowing them to bypass the ban and import vehicles freely.

## **Claim of website hacking and denial by the Ministry of Industry, Mines and Trade**

After a long silence, Naser Seraj commented on the illegal car import case. He raised the issue of the website of the Trade Promotion Organization being hacked and said that the imported cars entered the country as a result of the hacking of the website of the Ministry of Industry, Mine and Trade. He said: "Unfortunately, the website of the Ministry of Industry, Mine and Trade was hacked, and around 5,000 high-end and expensive vehicles entered the country. Of this number, about 4,000 vehicles have been cleared and entered the market, and 1,000 vehicles are still in customs, which we hope a decision will be made about them." While automobile market experts and activists were surprised by the claim of the import registration website being hacked, the Ministry of Industry, Mine and Trade denied the website had been hacked. However, it confirmed the violation involving the entry of 6,481 vehicles into customs and announced that legal action is being pursued against the violators. The ministry stated that based on investigations: A total of 6,481 vehicles were brought into customs through violations by importers and the registration system. Out of these, 1,900 vehicles were cleared, and the rest remain in customs. The Organization for the Protection of Consumer Rights (Taazirat) and oversight and intelligence agencies are currently investigating the illegal clearance of the 1,900 vehicles. This statement was made while it was estimated that, at a minimum profit of 75 million tomans per vehicle, the violators earned massive profits. Mehdi Dadfar, Secretary of the Car Importers Association, confirmed this and said to the *Iran* newspaper: "Unfortunately, some car importers committed this major violation. Agile individuals in the car market, who facilitate economic corruption and tax evasion, have created a rent-seeking environment. Even authorized car importers are fed up with them." He emphasized that unprofessional decisions and

ignoring expert opinions led to this economic corruption in the field of imported cars. Furthermore, he noted that: The fate of these imported cars is unclear; Although the imports were officially carried out, they lack warranties; Importers did not pay the mandatory 3% for after-sales services to official dealerships; The Ministry of Industry, Mine and Trade must clarify how some people managed to gain access to the import registration website and complete registration, import, and clearance of cars effortlessly.

### **The names of car importers using state currency were censored in 2018.**

The list of recipients of government-subsidized foreign currency in September 2018 was published by the Central Bank, but it notably excluded importers of vehicles and many other high-value items that had played a significant role in market volatility. According to Mehr News Agency, the Central Bank, by issuing a statement, published the list of names and the amount of currency allocated to importers of goods designated by the Ministry of Industry, Mine, and Trade, while emphasizing that the list does not include all goods for which the Central Bank supplied foreign currency. With this clarification from the Central Bank, it was naturally expected that the published list would only pertain to items under the jurisdiction of the Ministry of Industry, Mine, and Trade. However, surprisingly, the list did not include the names of importers of vehicles, vehicle parts, audio and visual equipment, and many other large-scale goods that had a significant impact on price fluctuations in the market during that year. In the published list, company names were included for the import of mobile phones, legumes, animal feed, fertilizers, butter, and paper, but it remained unclear why the names of companies importing major items like cars and car parts with government-subsidized currency were omitted. Why Did the Statistics from the Minister of ICT and the Central Bank Differ? The list published by the Minister of Communications and Information



Technology (ICT) regarding the amount of currency received by mobile phone importers contained several discrepancies compared to the list released by the Central Bank. According to Mehr News Agency, the list of importers published by the Ministry of Industry, Mine, and Trade also included mobile phone importers. However, the figures in that list differed from those released by the Minister of ICT in late September 2018. For instance, in the ICT Minister's list, the amount of currency received by the company Nodis Pardaz was stated as €26,657,026, but in the Central Bank's list, the company had received a total of €22,973,452 from banks and the NIMA system, showing a discrepancy of €3,683,574. This discrepancy existed for several other mobile phone importing companies as well. The reason for this discrepancy was that the ICT Minister's report referred to the amounts for which mobile phones had been registered for import, while the Central Bank reported the actual amount of currency allocated by banks and the NIMA system. Additionally, in the ICT Minister's list, the company Datis Emertat was shown to have registered €9,492,505 for import orders, but this company's name was not present in the Central Bank's list, indicating it had not yet received any foreign currency. Conversely, the Central Bank's list included the Social Security Trading Company, which had received €366,381 in subsidized currency, but this company was absent from the ICT Minister's list.

### **List of recipients of government currency published**

According to the Economic Desk, “the then-President instructed the Minister of Industry, Mine, and Trade to investigate the irregularities in the importation of foreign cars and the distribution of vehicles by domestic automakers within 15 days and to publicly announce any violations to the people and the judiciary.” This brief announcement, published on the official website of the presidency, indicated a deadline set by the then-President (Hassan Rouhani) for identifying

offenders involved in illegal car imports or distribution irregularities in the automotive industry. For about a week, government officials had been mobilized to promote transparency in foreign currency allocations and imports. Now, following reports from oversight bodies revealing the illegal registration and import of more than 6,400 cars, along with complaints from citizens and consumers regarding the distribution and pricing of products by domestic carmakers, President Hassan Rouhani stressed the need for transparency and combating corruption. He instructed Mohammad Shariatmadari, the then Minister of Industry, Mine, and Trade, to investigate both issues within 15 days, and if any violations were found, to swiftly announce the names of the offenders to the public and the judiciary. Prior to this presidential directive, a 53-page list containing the names of 1,482 companies that received government-subsidized foreign currency had been released. One of the most unclear sections in this list pertained to the automotive sector, including vehicle parts and the importing companies. Mohammad Ali Karimi, the spokesperson of the Central Bank, stated that the list had been provided to the Central Bank by the Ministry of Industry, and added: “The names included in the Central Bank’s list, covering 1,500 items, are based precisely on the request received from the Ministry of Industry, Mine, and Trade. Naturally, if certain items are missing from this list, it’s because they were not included in the Ministry’s submission.” However, the core of the matter began when, following protests and strikes by mobile phone vendors and businesses in Tehran’s Grand Bazaar, Mohammad-Javad Azari Jahromi, the Minister of Communications and Information Technology, published the names of companies that received government-subsidized foreign currency in the communications sector. The list revealed that these companies had received a total of €220,643,000, but had only cleared €75,283,000 worth of mobile phones from customs. Subsequently, the Presidency ordered all government bodies to practice transparency and publish the names of foreign currency recipients and importers.

Masoud Karbasian, the then Minister of Economic Affairs and Finance, also announced that daily information on the value and volume of imported goods would be published on the Customs website. Initially, however, Mohammad Shariatmadari, the then Minister of Industry, opposed the publication of detailed company names, though he eventually agreed to submit a list to the Central Bank for public release.

### **What was on the list of recipients of government currency?**

The list included various food items such as meat, corn, barley, lentils, split peas, bananas, and some types of home appliances like gas stoves, tea makers, irons, and steam cleaners. It also featured other items like different types of paper, computer parts, and mobile phones. However, in the automotive sector, only the amount and names of tire-importing companies were mentioned. Only two automotive companies were named in this context. The first was Mammut Khodro, which had imported €3,641 worth of tea and coffee makers using government-subsidized foreign currency, and one of its managers stated that these goods were meant to be offered as accessories. The second was Iran Khodro, which received \$1,875,744 in government-subsidized foreign currency for the importation of car tires. There was no information regarding the import of vehicles, car parts, or other automobile manufacturers. This was despite the fact that in the first quarter of 2018, car parts topped the list of the country's imported goods. Customs statistics showed that in the first two months of the same year, about \$500 million worth of car parts had been imported. Yet the tariff line 9887 was not listed among the foreign currency recipients in the Central Bank's records. On the other hand, mobile phones were among the most controversial imported goods that year, with over €220 million in subsidized currency allocated for their import. Mehdi Mohammadi, then head of the Union of Telecommunications, Communications Devices, and Accessories, said: "All mobile phone brands available in the market have used the government-

subsidized exchange rate of 4,200 tomans for imports over the past three months. There was no differentiation in currency allocation among brands, as the registry scheme (for tracking legal imports) had been implemented, and no mobile phone could be imported illegally or through smuggling during this period." Further investigations also showed that from April 10, 2018, €65 million in government-subsidized currency at the 4,200 toman rate had been used to import butter, yet the price of this product increased by 50%. Even Ali Rajabi, then head of the Union of Dairy and Butter Sellers, told ISNA: "As distributors and sellers of dairy and butter, we question why this product has seen such a price increase, even though it received the 4,200 toman exchange rate. Especially considering that its packaging and molding costs are minimal." In the food sector, around €200 million had also been allocated for meat imports, yet the price of meat had risen by 20%. According to the published list at the time, 122 companies importing meat received a total of €193,792,375 in government-subsidized currency.

### **Central Bank's opinion on the missing \$9 billion**

Since the government made the list of recipients of subsidized foreign currency public, public sensitivity regarding how this currency is spent has increased. In the list published by the Central Bank, many violations by importers were observed, which led to an urgent order by the then-President to deal with those who had abused the system. However, a report circulating on social media claimed that \$9 billion of subsidized foreign currency had gone missing a claim that was immediately denied by the relevant authorities. In response, the Central Bank issued a statement saying: "One of the domestic news agencies, in a report titled 'The Unclear Fate of \$9 Billion of 4,200 Toman Currency', quoted Mr. Yousefian, a member of the Parliament's Program and Budget Commission, who claimed that the fate of \$9 billion provided at the government exchange rate is unknown." Based on this and in response to Mr.

Yousefian's statements, the following explanation was issued to clarify the matter for public understanding: According to the Central Bank, the official process of importing goods into the country consists of five steps: Obtaining a proforma invoice from the foreign seller and signing a contract with them.

1. Registering the import order with the Ministry of Industry, Mine, and Trade (which grants official permission for goods to enter the country).
2. Allocation of foreign currency by the Central Bank upon the request of the importer's bank (confirmation of statistical registration), followed by the provision of currency through the Central Bank via the importer's bank or the NIMA system and the transfer of funds to the foreign seller (using instruments such as wire transfers, drafts, or letters of credit).
3. Shipment of goods by the foreign seller to the destination customs (entry of goods into the country).
4. Customs clearance and release of goods by the importer.

With regard to this summarized explanation of the import process, the following points are important: As of April 11, 2018, based on a Cabinet decision, registering import orders has been made mandatory for all goods entering the country, including both the mainland and free zones. These registrations are valid for three months, and not all registered imports necessarily reach the stage of currency allocation. Currency allocation by the Central Bank is done within the framework of existing laws and regulations and does not necessarily mean the currency has been provided or sold to the importer. It merely grants permission to purchase foreign currency from the Central Bank or the NIMA system if the importer has the required rials, and this approval is valid for one month. If the currency is provided, under the currency regulations, the importer has up to six months to present the shipping

documents to the intermediary bank and receive a currency provision notice (which permits customs clearance). After receiving the currency provision notice, the importer then has up to three months to submit the customs clearance certificate matching the import registration and the provided shipping documents to the intermediary bank. (In a recent government decision, these timeframes have been shortened to 3 months and 2 months, respectively.) In conclusion, the figures related to registered import orders up to the aforementioned date do not necessarily mean currency was allocated, currency was provided, or that goods were not imported into the country. Similarly, currency allocation does not necessarily mean the currency was provided, and currency provision does not necessarily mean the goods were not imported. Regarding the \$9 billion referenced in Mr. Yousefian's interview, a definite conclusion can only be made if the three-month period for presenting the customs clearance certificate has expired following the six-month period for submitting the shipping documents, and no goods have been imported. According to currency regulations, once these deadlines expire, the intermediary banks are obliged to follow up on the return of the provided currency. If the importer fails to fulfill their currency commitment, the bank must report them to the Organization for the Investigation of Offenses. Moreover, as previously announced, a full list of individuals and entities that received foreign currency at the official exchange rate during the four-month period from June to September 2018 has been submitted to supervisory bodies and customs authorities. Any detected violations will be dealt with by judicial and oversight institutions. Given the above explanations which can be useful reading for the general public as well as for experts it is necessary to emphasize that members of Parliament and other individuals who comment publicly on such matters should be fully informed of the details and speak to the media with complete and accurate information. Otherwise, in the current situation, such speculations cause public anxiety and social tension.

### **Hamedan city representative's Claim about behind the Scenes of Costs inflation**

The representative of Hamedan in Parliament said: *"I submitted the names of 31 economic corrupters who are behind the price hikes of 2018 to the heads of the three branches of government, but they told me not to make these names public."* Amir Khojasteh, in an interview with the media outlet *Etemad Online*, added: *"Behind these individuals (the economic corrupters) are officials of the establishment. These 31 economic corrupters are being managed by officials of the system. Can an irresponsible person be among the top economic corrupters and loot banks? These people are connected to officials, and that's how they are able to plunder banks."* Khojasteh, who was the head of the fact-finding committee on the Foundation of Martyrs in the Ninth Parliament, also said: *"The case regarding the Foundation of Martyrs and Day Bank has been in court for 20 months and is being handled by Mr. Dolatabadi, the Tehran Prosecutor. Mr. Ali Larijani has spoken on this matter, saying the case should be resolved, and he has promised it will be dealt with as soon as possible, but a 20-month delay in addressing this case is completely unacceptable."*

### **Warnings from the representative of the city of Sari**

"I believe everything that is said about the Parliament." This was stated by a member of Parliament a representative who is also a member of the Economic Corruption Combat Headquarters. Ezzatollah Yousefian, in an interview with *Tabnak* news site, acknowledged unlike the vast majority of MPs the existence of certain under-the-table deals and questionable financial relations among parliamentarians. He is the third MP who, in September 2018, has spoken about such conditions. Before him, MP Mahmoud Sadeghi had pointed out misconduct by fellow parliamentarians on two occasions. In a media panel, he even stated: "One MP received a one-billion-toman land-use change hologram, and several others were given five-million-toman

gift cards by Tehran Municipality. "Sadeghi stressed during the same event: "When we proposed an investigation into Tehran Municipality, we were fully entangled with a network of corruption. Many forms of favoritism and bribery were involved." Just a few days later, Amir Khojasteh, MP from Hamedan, revealed in an interview with *Khaneh Mellat* that one MP had deposited 40 billion tomans in unauthorized financial institutions. Now, under these circumstances, when a parliamentarian like Ezzatollah Yousefian says: "Some MPs have gotten involved in certain games, which paints a dangerous future for the Parliament," his remarks hold weight. Allegations of misconduct and financial collusion in Parliament are not new from the issue of "dirty money" to other doubts about whether MPs' campaign expenditures match their four-year parliamentary income. Such concerns even triggered protests by another MP of that session, Nader Ghazipour, who said raising such issues about MPs was disrupting parliamentary order. He objected to the fact that: "Some MPs speak critically of their peers' actions during official Parliament sessions as speakers or opponents." Ali Larijani, in response to Ghazipour's warning, said to the Parliament: "Why should we, by our own hands, do something that questions one of the pillars of the system and causes misunderstandings among the public?" Nevertheless, Larijani's own appointed representative to the Economic Corruption Combat Headquarters had a different opinion. He said: "Parliament now feels almost abandoned. There's a sense of neglect. Everyone is just thinking about their own ballot box. All MPs are preoccupied with what might happen in their electoral district and how they can secure more votes." Yousefian Molla confirmed Mahmoud Sadeghi's claims about MPs receiving bribes from Tehran Municipality and said: "You can't be more direct than that the matter was that apparently lobbying occurred, and some received things from the municipality." He added: "Where are the Parliament's supervisors? Why is no one addressing these issues? Or why do some MPs lobby to block impeachment motions? Unfortunately, these things are



happening." He also said: "Usually these MPs forget their oaths on such matters. Personally, I believe all the things said about the Parliament even though I allow for the possibility that some may not be true. But when we don't investigate, when we don't respond and don't clarify that we *don't* have bribe-taking or lobbying MPs, and remain silent then it *might* mean we do." This MP confirmed: "Regrettably, there are issues in Parliament that are neither supervised nor managed at all." With these revelations, the question remains: Will more MPs come forward in the coming days to talk about corruption and misconduct within the Parliament?

### **To bring the righteous to trial**

In late August 2018, the Vice President of the Iran Chamber of Commerce, Industries, Mines, and Agriculture wrote the following analysis in *Tejarat-e-Farda* (Tomorrow's Trade) about the increasing difficulty of maintaining operations for ethical and legitimate businesses: "These days, a considerable number of owners and managers of private economic, industrial, and commercial enterprises are witnessing with concern and sadness the staggering disruption in their business. Managers of state-owned and quasi-state-owned enterprises are less worried, as they still benefit from governmental and institutional support. However, even they face uncertainty. Despite the deep inner desire and hope shared by all Iranians for domestic economic and industrial enterprises to operate at the highest level and for their benefits to reach the country and its people, unfortunately, the realities suggest otherwise. Iran's economy is not an isolated island that can be run without trade with the outside world. Iran has nearly \$100 billion in exports, the majority of which come from crude oil, with petrochemical products, gas condensates, and a portion from non-oil exports. On the other hand, Iran officially imports an average of \$70 billion annually. This level of foreign trade forms the foundation of Iranian activity in sectors such as industry, agriculture, services, transportation, mining, banking, and

tourism. If this amount of foreign trade is exposed to the storm of sanctions, what will happen to honest businesses that are not connected to rent-seeking networks? Those unoriginal, unhealthy, and informational-rent seeking-dependent businesses, government agencies, and quasi-government institutions have no regrets and are moving towards closure or resorting to rent-seeking. But the honest businesses, due to their human and ethical commitments to their employees, are placed in the worst conditions when sanctions intensify. Domestic market recession, restricted access to imported raw materials and capital goods, blocked transportation channels, frozen currency transfers, and an empty hand make survival extremely difficult. What options remain for these honest businesses? The worst outcome for society and for the owners and managers of these ethical businesses is to lose hope and move toward downsizing, closure, or complete shutdown. Therefore, they must stay and continue. But what solutions are left to overcome these bottlenecks? It seems that since the business environment has been polluted and weakened from its roots and strategies, the battle must begin and intensify from there. Honest enterprises must, using their material resources, promotional capabilities, and compatible ideas and beliefs, launch an offensive against the strategy of a state-dominated economy and begin the process of reform from that point. Naturally, such a major effort requires long-term planning and is a difficult path. In the short term, however, progress can be made through advocacy, public information campaigns, and open dialogue with the government and citizens."

### **Economists' warning to financial and trade policymakers**

The Iranian government's control over the economy is so extensive that there is hardly any ministry without its own business enterprise. Even ministries such as Education, Defense, and Health which are not typically economic bodies are involved in various forms of enterprise management. Naturally, the economic

ministries oversee even more businesses. The financial turnover of these enterprises is usually significant. As a result, appointing board members and managing directors becomes a "sweet challenge" for cabinet ministers. These appointments and dismissals are not without controversy. For example, to manage political relationships, a competent manager may be replaced by someone with so-called "good genes" (a reference to nepotism and political favoritism). Similarly, transferring funds from one bank to another can present various financial and political attractions. The outcome of this management style is the depletion of material and human capital within these enterprises and their further entanglement in the swamp of mismanagement and inefficiency. It is no coincidence that President Rouhani once expressed dissatisfaction with his ministers breaking their promises to transfer responsibilities to the private sector. He said: "At the beginning of their term, all ministers promise to hand over responsibilities, but after a while, it seems they grow fond of holding onto control and start making excuses not to let go." In the language of good governance, the role of the government is well-defined with clear boundaries. The most important responsibilities of a government, based on principles of good governance, include safeguarding security, defending the rights and freedoms of citizens, and to some extent, providing education and healthcare. The government is ultimately responsible for providing public goods to society. However, today we are dealing with a government that recognizes no limits to its activities. It sets prices, produces goods, controls distribution, and, worst of all, generates wealth itself. This wide-reaching interference in the economy not only leads to constant resource wastage but also results in widespread administrative corruption and rent-seeking behavior. In such an economic system, a politically motivated government exploits its limited time in power to extract as much benefit as possible, viewing its subordinate organizations as opportunities to access rent. Similarly, economic actors, rather than striving for legitimate profit, form alliances

with political power circles to gain rents. In this environment, no one is willing to reform the economic structure, and the worst kind of it, is a feudal-like monopolistic control over economic sectors, continues to persist.

### **In this corrupt and inefficient cycle, who can work properly?**

With these descriptions, we can conclude that, feudal-like and monopolistic control over economic domains by political or institutional actors is currently one of the biggest economic challenges in Iran and a major barrier to the growth of the private sector. If the government genuinely wants the private sector to thrive, it must abandon feudal-like, wealth generation through state dominance, and its extensive interference in the economy. Although feudal-like has various centers of power in Iran not all of which are within the government, it is important to recognize that this issue is not beyond the government's ability to resolve. When we speak of state or quasi-governmental enterprise management, it implies limited influence from the executive branch. However, if a minister chooses to stop enterprise ownership within their ministry, they typically face few serious obstacles. Certainly, reforming this flawed and corruption-inducing system is within the government's reach. But unfortunately, because some government officials are interested in continuing the path of feudal-like, no steps are being taken to reform the economic structure and sever relationships based on feudalism. Recently, it was pointed out that appointing competent deputies and choosing qualified individuals for major public organizations can reduce corruption and backroom dealings. Feudal-like and conflicts of interest must become red lines for economic ministers when selecting deputies and heads of economic bodies. Fortunately, during the twelfth administration, a small but meaningful sign of change emerged in the Ministry of Industry, Mine, and Trade. At a general assembly of IMIDRO (Iranian Mines and Mining Industries Development and Renovation Organization), the minister did

something unprecedented regarding the selection of the organization's official newspaper. While one of the meeting's agenda items was to designate the official newspaper for publishing organizational news, the minister firmly insisted that there was no need for the newspaper affiliated with the Ministry of Industry, Mine, and Trade to be chosen. Ultimately, a private-sector newspaper was selected as the official outlet for IMIDRO announcements. Through this action, Minister Mohammad Shariatmadari sent a positive message to economic actors. At first glance, this move may seem minor or symbolic, but if extended to other areas under the minister's control, it could become a catalyst for profound change in transferring responsibilities to the private sector.

### **Anti-Corruption Headquarters ready to pay the price**

In response to the release of Babak Zanjani's letter, Oil Minister Bijan Zanganeh stated that "public funds cannot be stolen through trickery and media noise." Echoing this stance, the First Vice President of Iran also declared that the Headquarters for Combating Economic Corruption has prepared itself for this difficult mission and is willing to bear its heavy costs, because fighting corruption is a tough and costly endeavor. Eshaq Jahangiri further emphasized that the Supreme Leader has raised the flag of anti-corruption by issuing a 10-point directive, and it is the responsibility of the government to ensure that, at the very least, the outcome of the Anti-Corruption Headquarters' efforts is to prevent the recurrence of major violations and systemic corruption. He stressed that the fight against economic corruption must be conducted in a way that instills fear of consequences, so that no one dares to commit illegal acts in the future. Jahangiri added, "The cost of engaging in corruption must be so high that it serves as a strong deterrent." He also criticized the politicization of anti-corruption efforts a tendency, he said, that some try to pursue by drawing parallels with previous administrations. In this regard, he

remarked, “Attributing certain violations to specific political factions is not the right approach. In this administration, there are no red lines when it comes to combating corruption.”

The following chart is noteworthy regarding the trend of combating economic and financial corruption in developed countries.



### **Arrest of the gold coin sultan in 2018**

According to the judicial correspondent of Fars News Agency, the indictment in the case of Hamid Mazloumin was finally referred to the Special Court for Economic Corruption. Hamid Mazloumin, the individual known as the "Sultan of Gold Coins," was to be tried in the Revolutionary Court. (This individual was tried in the First Branch of the Economic Corruption Court, presided over by Judge Seyed Ahmad Zargar.) On July 5, 2018, Brigadier General Hossein Rahimi, then Tehran's police chief, said at a press conference: "The individual known as the Sultan of Coins, who had collected around 2 tons of gold coins from the market in 2017, has been arrested." He continued: "This 58-year-old man, who was apprehended in a police operation, had instructed his associates and subordinates to roam the Tehran market and buy all the gold coins available, regardless of their daily price, so that he could later dictate the price of gold coins himself." The Tehran police chief added: "This individual had previously been arrested as a gold coin dealer. He was working in cooperation with his son in this regard." Infact Sultan of Gold Coins had no coins on him .After the story of Hamid Mazloumin's arrest as the Sultan of the Gold Coin was raised, the capital's police chief on July 8, 2018, provided more details about the arrest of the Sultan of the Gold Coin., stating: "This individual did not have any gold coins on him at the time of arrest; however, his and his group's financial transactions amounted to more than 2 tons of gold coins." In an interview with a Fars News Agency reporter, Brigadier General Hossein Rahimi addressed the arrest and the controversy surrounding the fate of the 2 tons of gold coins, stating: "The Sultan of gold coins, who was actually the main gold coin dealer in the market, did not possess any gold coins at the time of arrest. Rather, the financial turnover of this individual and his associates throughout the year equaled over 2 tons of gold coins. The Sultan

of gold coins and his subordinates used to buy up gold coins from the market and distribute them at prices of their choosing whenever they wished."

**Mazlounin was also arrested in 2012 and 2013.**

On July 15, 2018, Gholam-Hossein Mohseni-Ejei, the spokesperson for the Judiciary, stated on the sidelines of a press conference that certain individuals in the market were engaged in high-volume trading of foreign currency and gold coins. He said: "Since the end of last year, field investigations were carried out, and individuals were identified who, without having a licensed exchange office, were trading large amounts of foreign currency and gold coins, or even attempting to smuggle currency out of the country. These individuals claimed that they were conducting their transactions in coordination with the Central Bank." He continued: "It is unclear whether these connections were legitimate or not, where exactly the currency was going, and whether the government had approved this policy." Mohseni-Ejei added: "In 2012 and 2013, some individuals were arrested and sentenced. One of them was Hamid Mazlounin and his son Mohammad Reza. At the time, they received judicial rulings against them, but the Central Bank then stated that these individuals had been acting in coordination with them and that they had been given dollars by the Bank." "Now, these individuals have been arrested again," the Judiciary spokesman said. "The issue now is that the Central Bank has requested the release of some of the detainees. One of the accused claims to have received and distributed currency from the Central Bank on 30 occasions, each ranging between 4 to 7 million dollars." He added: "I advised the police not to give independent interviews so that misunderstandings wouldn't arise. People assumed that 2 tons of gold coins had been seized from the accused, but in reality, no gold coins were confiscated from the accused or his son. However, documents show that they bought and sold more than 2 tons of gold coins, and those gold coins are now missing."



### **The case of the Sultan of Gold Coins went to court and he was charged with corruption on earth**

On the afternoon of August 26, 2018, during his 130th press conference, Hojjat al-Islam Gholam-Hossein Mohseni-Ejei stated: "Regarding certain currency and gold coin-related cases, another case will be sent to the court this week where a conviction is expected to be issued. This concerns the case of Vahid Mazlounin, who is the main defendant, along with 18 other accused individuals. For the ringleaders, the prosecution has requested the death penalty under the charge of 'corruption on earth' Mohseni- Ejei added: "This individual (Vahid Mazlounin) was arrested in 2012, and at the time, a similar request for the death penalty was made. However, the Central Bank's security department claimed that all of his actions were carried out under their supervision and directives. Despite that, he continued his activities. He is the same individual the police referred to as the 'Sultan of Gold Coins' and who reportedly held two tons of gold coins." The judiciary spokesperson also said: "Mohammad Esmail Ghasemi, known as Mohammad Salem, was another person arrested at the time. Mohammad Reza Mazlounin and Salar Agha Khan were also arrested in 2018, but this time their illegal activities were not accepted as being under the supervision of the Central Bank." In July 2018, the Tehran police chief announced the arrest of the "Sultan of Gold Coins," a repeat offender, and shared details with the media about the gang's activities. The "Sultan of Coins" was 58 years old and had broken all previous records of gold coin purchases. The previous record stood at 38,000 coins, while he had acquired two tons of coins, earning him the title. Given that each full Bahar Azadi gold coin weighs 8.4 grams, two tons equals around 250,000 coins worth approximately 7.4 trillion rials (about 740 billion tomans at the time), an unprecedented amount. In 2017, this gang bought up two tons of coins from the market and resold them at self-determined prices. They would

buy large amounts of gold coins, melt them down, and smuggle the resulting gold bars out of the country. Ayat mohammadvali, head of the Iranian Gold and Jewelry Union, who personally knew Mazloumin, also remarked: "The judiciary spokesperson confirmed that Hamid Mazloumin had been arrested both in 2012 and again last year, but was released on bail. It is unclear how someone who purchased two tons of gold coins was allowed to be released." finally verdict was issued in October 2018, according to news announced by Ejei, the spokesperson for the judiciary. According to a report from Mohseni- Ejei, in October 2018, Vahid Mazloumin and two others were sentenced to death. His exact words were: "Vahid Mazloumin, son of Habibollah, has been sentenced to death as a 'corruptor on earth.' This sentence is not final and can be appealed. Although I have mentioned it before, I repeat for public awareness: according to the law and based on special permission obtained from the Supreme Leader, verdicts that include the death penalty can be appealed. Naturally, if the defendant or his lawyer files an objection, the case will be reviewed again by the Supreme Court."

### **Details of the Gold Coin Sultan case**

According to the Young Journalists Club Web browsing Group, when Mohseni-Ejei publicly named Hamid Mazloumin as the "Sultan of Gold Coins," most people had no idea who he was or how he had managed to purchase more than 2 tons of gold coins. However, for those active in the gold and coin trade, the name was familiar. Almost everyone in the Tehran gold market knew the man who had purchased 250,000 gold coins worth approximately 7.4 trillion rials (740 billion tomans). They described him as being around 60 years old, and noted that his appearance did not match the extent of his financial power. During the days when gold coins were being sold, Mazloumin, alongside his son and others, would buy up all the gold coins in the Tehran market so that he could later manipulate and

determine the market price. Ghasem Ebrahimi, a member of the board of trustees of Tehran's Grand Bazaar, told to *Media "Event 24"*: "Hamid Mazloumin's shop was in the basement of Sabzeh Meydan. He had a business license from the Gold Union. But the question is: how could someone with just one shop and no strong political or financial backing manage to collect so many gold coins from the market and influence its direction? There were also other individuals who were still disrupting the market both shopkeepers and the government knew who they were." He continued: "Even after Mazloumin was arrested, gold smuggling continued. According to customs reports, about 3 kg of gold had been officially imported into the country, while in reality, the actual amount was higher and the rest had been smuggled in. Why was he released last time?" Ayat Mohammadvali, head of the Iranian Gold and Jewelry Union and someone who knew Mazloumin personally, also commented: "The Judiciary's spokesperson confirmed that Hamid Mazloumin had been arrested in both 2012 and 2017 but was released on bail. It is unclear why someone who purchased two tons of gold coins was allowed to be released."

**Execution:** In the early morning hours of Wednesday, November 14, 2018, the death sentences of Vahid Mazloumin (son of Habibollah) and Mohammad Esmail Ghasemi (son of Gholamali) were carried out. They had been convicted of *corruption on earth (efsad fel-arz)* through the formation of a network that disrupted the country's economic, monetary, and currency systems via illegal and unauthorized transactions and large-scale smuggling of currency and gold coins. Vahid Mazloumin had been dubbed the "Sultan of Gold Coins."

### **Disclosure in the Great Sultan of Bitumen Fraud Case in 2018**

Hamid Reza Bagheri Dermani, known as the "Bitumen Sultan" who was involved in large-scale fraudulent activities by forming a criminal network, was executed in the early hours of Saturday, December 22, 2018. According to IRNA, quoting the

website of the Public and Revolutionary Prosecutor's Office of Tehran, Bagheri Dermani's case, along with his accomplices, consisted of 156 volumes and more than 25,000 pages, and was reviewed following complaints by Jey Oil Refining Company, Bank Melli, Tourism Bank, Eghtesad Novin Exchange, and Saman Exchange in Tehran's Public and Revolutionary Prosecutor's Office. Over the years, the convict had engaged in extensive criminal activities through forming a fraudulent network involving deception, forgery, collusion, and bribery of officials in various government agencies. He also established numerous fake or shell companies, including: - Ghaem Kosar Company. - Mohammad Bazargan Shayan Company. - Persian Behgostar Company. - Shokouh Ayandeh Company. - Arya Borj Horm Company. Bagheri Dermani was found guilty of defrauding the above-mentioned plaintiffs of a total amount of 10.78 trillion rials (1,078 billion tomans). The investigation revealed that he had used 47 forged documents to obtain bank guarantees, made fake transactions, and submitted 31 forged guarantees and 102 falsified checks with large sums. He also committed forgeries in official documents of Iran's Registry Organization. With the help of his network and by bribing experts, Bagheri Dermani had falsely inflated the value of properties and presented them to banks. For instance, one property worth 400 billion rials was valued at 1.269 trillion rials through collusion and was mortgaged to Jey Oil Company. Following a detailed investigation and the collection of solid evidence, the Tehran Prosecutor's Office, referencing Article 4 of the Law on Aggravating Punishment for Embezzlement, Bribery, and Fraud, charged Bagheri Dermani as the ringleader of the network and a "corruptor on earth". A formal indictment was issued and sent to Branch 15 of the Islamic Revolutionary Court of Tehran. This court, after lengthy sessions with the presence of the accused and the prosecutor's representative, sentenced Bagheri Dermani to execution and restitution of stolen assets. After his attorney objected, the case was reviewed by the Supreme Court, which upheld the lower court's ruling.

The investigation also revealed the widespread network of corruption and its interconnection with other high-profile financial corruption cases in Iran. During interrogations of a former Bank Melli manager, it was disclosed that Bagheri Dermani was considered highly influential within the bank's network. Mohammadi, the former head of Bank Melli's Bahar branch, stated: "Bagheri Dermani, who was a major debtor, obtained bank guarantees through his associate Mohammadreza Naziri from [then-bank CEO] Mahmoud Reza Khavari, but when a regional bank head refused to comply with the order, he was dismissed within 24 hours." This showed how Bagheri Dermani had enough influence to have high-ranking bank officials removed. Previously, his connection with Babak Zanjani, another infamous embezzler, had also been revealed. Although their relationship appeared friendly on the surface, it was actually a setup designed for one embezzler to defraud another.

#### Bagheri Dermani's Inner Circle Escaped the Country

In Iran's economic system, where the environment is conducive to financial corruption, theft and cronyism are born. Often, individuals identified as embezzlers and fraudsters arrange for their closest associates to flee the country to eliminate any trail linking them to the crime. Hamid Reza Bagheri Dermani, after committing his criminal acts, encouraged key and influential members of his network to leave the country. According to the news outlet *Mizan*, Bagheri Dermani was known as one of the most prominent economic corrupters in Iran. He had been involved in various judicial cases since 2004, ranging from: Goods smuggling - Money laundering - involving astronomical amounts - Outstanding bank loan repayments - Gold bar smuggling. One of Bagheri Dermani's main tactics to avoid detection by regulatory authorities was that as soon as investigations into his large-scale fraud began, he would orchestrate the escape of his close associates abroad. This way, the financial

corruption links would be severed, and the judiciary would struggle to prove his role. However, despite these efforts, relentless and thorough investigations eventually uncovered his leadership role in the corruption network, leading to his arrest, trial, and eventual execution.

### **The name of a bank over-debtor is at the top of the media**

In June 2007, Hamidreza Bagheri Dermani was labeled as a super bank debtor, with over 2 trillion tomans (approximately \$2 billion at the time) in unpaid loans. On June 11, 2012, the then-Commander of Iran's Law Enforcement Force (NAJA) wrote a letter to then-President Mahmoud Ahmadinejad, reporting that violations had been discovered at the Bahar Branch of Bank Melli, based on reports received from the bank's general management and referred to NAJA's Special Operations Center. According to the letter, the company "Arya Borj", managed by a man named Mohammad Reza Nasiri, had with the collusion and influence of Bagheri Dermani (who was described in reports as a major debtor of the entire banking system) embezzled 280 billion tomans through 110 fraudulent bank guarantees. A new wave of judicial cases against Bagheri Dermani began following a complaint filed by "NIOC's Jey Oil Refining Company" on September 2, 2012. In the lawsuit, it was claimed that six shell companies, operating under specific names and using fraudulent schemes, had received 178,000 tons of bitumen (asphalt) from Jey Oil and illegally obtained its assets. A separate report from the Special Operations Center of NAJA, also submitted around the same time, confirmed that Bagheri Dermani was the ringleader of a fraud network that carried out large-scale embezzlement and unlawful enrichment through those six companies. According to the same police report, a judicial order banning Bagheri Dermani from conducting financial transactions had already been issued and in effect since September 6, 2010. Eventually, Hamidreza Bagheri Dermani was arrested on August 22, 2014 on

charges of “corruption on earth” which is considered one of the most serious criminal offenses in Iranian law

### **Key Associates of Bagheri Dermani**

Mohammad Reza Nasiri handled all fraudulent activities under the guise of bank loans and guarantees. He maintained direct contact with banks and executed all of Bagheri Dermani’s instructions for obtaining bank guarantees. Javanmir Mohammadi, the former head of Bank Melli’s Bahar branch, was arrested while stationed on Dermani’s orders at the Iran-Turkey border. Mahmoud Jazayeri, who acted as Dermani’s official representative in fraudulent dealings with Jey Oil Refining Company, fled to Turkey alongside Nasiri. Mohammad Khazaeli Parsa, who forged official documents in service of Dermani’s vast criminal network, also escaped the country. Majid Bagheri Dermani, brother of Hamidreza and CEO of Fajr Gostar Novin Company, was involved in fraudulent activities targeting Jey Oil and Iran Insurance Company, and fled the country after assisting his brother in setting up a multi-member corruption ring. Hooshang Maslahat Laye, another associate, played a role in negotiations involving the blue bird, a term reportedly referring to a high-profile fraud case. Dermani even attempted to help Babak Zanjani escape the country, but the effort failed. Although framed as an act of friendship, it was evidently a ploy for financial gain. According to Young Journalists Club, on one occasion before Zanjani’s arrest, while he was playing baseball, he was invited by Dermani to a three-person meeting. During the session, Dermani, acting as the "Chairing of meeting" told Zanjani on behalf of the third participant that he would soon be arrested, and the only way to avoid it was to pay a fee of 10 billion tomans via check. Zanjani, surprised, responded that he would not be arrested and refused to pay, either in cash or by check. Nevertheless, Dermani wrote a check for 10 billion tomans and handed it to the third person who was present in that meeting. Zanjani

remained free for some time after that meeting, which revealed that the encounter was a fabricated scene, orchestrated by Dermani to set up a massive fraud attempt against another fraudster. Later, during interrogations and court sessions, Dermani claimed Zanjani owed him 10 billion tomans. However, investigations revealed that the third party never had such money in any of their accounts. In fact, the check had never been cashed, and the supposed debt was entirely fictitious. In summary, the "**Sultan of Bitumen**", who was already a massive bank debtor, had devised an elaborate scheme to defraud a well-known embezzler, but it ultimately failed. After Babak Zanjani's arrest, Dermani even approached the judiciary, offering to provide any amount of bail for Zanjani's release, but the court refused due to the serious nature of Zanjani's case. Finally, in the early hours of Saturday, December 22, 2018, Hamidreza Bagheri Dermani, son of Mohammad Baqer, who had been sentenced to death for "corruption on earth" through establishing a massive network of fraud and bribery, was executed.

### **Embezzlement in the Petrochemical Investment Company and the debate over disruption of the economic system**

Asadollah Masoudi, the head of Branch 3 of the Special Court for Economic Corruption and Disruptors, stated on the sidelines of the second trial session of the petrochemical defendants, held on Saturday, March 9, 2019, that: "The main figure related to the disruption of the country's economic system is €6.656 billion, but that doesn't mean the entire amount was seized by the defendants." In the second hearing, the primary defendant rejected the charges and claimed the case had not been properly examined. The case involves defendants connected to the Petrochemical Commercial Investment Company, accused of major disruption or complicity in major disruption of the national economy, as well as acquisition of illicit property or



complicity in illicit acquisition. Judge Masoudi stated: “The defendants were supposed to inject the foreign currency obtained from petrochemical exports into the national economy to help meet the country’s needs. Unfortunately, these individuals exploited the price gap between the official and open market exchange rates, and in some cases, acquired illicit wealth.” In the second session, the Tehran prosecutor’s representative, while reading the continuation of the indictment, said: Reza Hamzehloo, the first CEO of the Petrochemical Commercial Company after its privatization in 2009, in collusion with Ms. Marjan Sheikholeslami, had violated legal procedures in establishing Deniz and Pelican companies. Hamzehloo, the first defendant, rejected the accusations and stated: “The case was not properly examined. During my tenure from late 2009 to 2011 the exchange rate was stable, and the issues raised in court relate to after my term. Our actions were based on company decisions. If any disruption occurred, the National Petrochemical Company is trying to shift the blame. If the NPC had provided accurate information to the investigator on time, this case wouldn’t have emerged.” Other defendants include:

Abbas Samimi, board member of the Petrochemical Commercial Company and CEO of Iran Investment Company. - Mostafa Tehrani Safa and Alireza Alaei Rahmani, - board members of the Petrochemical Commercial Company, - Mohsen Ahmadian, retired from the petrochemical sector, - Marjan Sheikholeslami Al Agha, CEO of Deniz and Hetra Tejarat Companies, - Seyyed Amin Ghorashi Sarvestani and Sam Hamed Saedian. - Additional defendants charged with complicity in major economic disruption include: Seyyed Alireza Hosseini, CEO of Shanghai Petrochemical, Ali Ashraf Riyahi, Masoumeh Dorry, CEO of the Dubai office of the Petrochemical Commercial Company, Abolfazl Maleki Shams Abadi, a nylon and plastic producer, Saeed Kheirizadeh, former financial director of the Petrochemical Commercial Company, Mohammad Hossein Shir Ali, were other defendants in this case accused

of aiding in major disruptions to the country's economic system. Judge Masoudi denied the 100 trillion tomans embezzlement figure mentioned in some media, saying: "It is not the case that these individuals seized 100 trillion tomans. What is being discussed is the acquisition of profits, not direct embezzlement." He clarified that the case is about economic disruption, not embezzlement. Judge Masoudi said that, the amounts of abuse by the defendants were often 15 million euros, 8 million dollars, or 31 billion tomans, so this does not mean the appropriation of 100 trillion tomans. According to him, the disruption stemmed from the failure to repatriate foreign currency and manipulation of exchange rate differentials, which ultimately benefited the defendants. On Wednesday, March 6, 2019, ISNA news agency quoted the judge, revealing that: "Three of the defendants are currently outside the country." The Petrochemical Commercial Company was founded in July 1990 with capital from the National Petrochemical Company, as an independent commercial entity. In 2009, the company was privatized, with 52.35% of its shares transferred to Iran Investment Company and 45% to Persian Gulf Petrochemical Industries Company.

### **Shocking details of the petrochemical case and Marjan Sheikholeslami's escape from the country**

The prosecutor's representative in the trial of the petrochemical corruption case stated: Marjan Sheikholeslami, who is the partner of the main defendant in this case, has illicitly acquired **€7,065,529** and **\$8,710,384** and is currently a fugitive abroad. According to IRNA news agency, the Tehran prosecutor's representative, while reading the continuation of the indictment, said: **Reza Hamzehloo**, the first CEO of the Petrochemical Commercial Company after its privatization in 2009, in collaboration with Marjan Sheikholeslami, established the companies Deniz and Pelican without adhering to legal regulations. He added: Hamzehloo transferred **€312,696,449** from foreign sources to the company Hetra Tejarat and then moved

this amount to the Petrochemical Commercial Company. However, **€347,238** and **€313** from foreign sources were never brought into the country. According to the prosecutor's representative, this caused the two defendants to illicitly acquire **€7,065,152** and **\$8,710,384**, in addition to profits related to **€934,763,650** from foreign currency earned by selling petrochemical products belonging to them in the companies. The prosecutor's representative referred to Marjan Sheikholeslami as the main partner of the first defendant, Hamzehloo, who is currently a fugitive outside the country and has illicitly acquired **€7,065,529** and **\$8,710,384**.

### **Currency transfer under the pretext of circumventing sanctions**

The prosecutor's representative, referring to the charges against other defendants in the case, said: Mostafa Tehrani Safa, by establishing the company Euroto under the pretext of circumventing sanctions, received **€78,000** as a commission and engaged in buying and selling polyethylene for himself. He deposited this money to the account of the Petrochemical Commercial Company with an 18-month delay, which earned a profit of **€33,300**. Referring to the accusations against Mohsen Ahmadiyan, the prosecutor's representative said: As the foreign trade manager of the Petrochemical Commercial Company, Ahmadiyan, in collusion with foreign companies, diverted currency flows toward MTN to gain personal benefits. He added: Ahmadiyan, in cooperation with Mohammad Hossein Shirali, a retired Ministry of Intelligence employee, illicitly acquired wealth through receiving various commissions, one example being **€498 million and 200 thousand dirhams**. The prosecutor's representative added: The foreign currency earned from selling petrochemical products was deposited to the account of Marjan Sheikholeslami under the pretext of circumventing sanctions. He continued: These actions were carried out without the permission of the National petrochemical Company, and part of the funds from selling petrochemical products was converted

to Iranian rial and deposited into accounts of other companies. He stated: In response to the inquiry made, it was declared that sanctions did not permit the rial equivalent deposit of proceeds from petrochemical product sales, and these actions were carried out under the cover of companies managed by Hamzehloo.

### **Violations by Petrochemical Trading Company Managers**

The prosecutor's representative, Hosseini, said: According to the report of the CEO of the Persian Gulf Holding Company, the main violations by the petrochemical managers include late settlement of receivables from subsidiary companies, failure to settle claims of the oil company, conversion and transfer of company currencies without obtaining permission from the National Petrochemical Company, and illicit acquisition of wealth valued at over 324 million euros from foreign currency resources, including 622,484,000 euros from the sale of petrochemical products, and 3,214,523,000 euros converted into Iranian rials. The prosecutor's representative said: Ahmadiyan stated during interrogation that he received 15 million dollars and 500 thousand euros in cash as commission and, expressing regret, said he intended to return this amount to the government but was unable to do so and is now requesting an opportunity to return these funds. He added: Shirali admitted to receiving commissions but did not specify the amounts and said that whatever Ahmadiyan received, he also received the same amount. According to documents and evidence, Shirali has received at least 8 million dollars in commissions. The prosecutor's representative referred to Alireza Alaei Rahmani as another accused and said: He was appointed on January 13, 2010 as a board member of the Petrochemical Trading Company and was involved in the company's decisions, thus can be considered one of the decision-making managers. He added: Hamzehloo, Sheikholeslami, Kheirizadeh, Hosseini, and other accused individuals engaged in acquiring foreign currency from product sales and created an organized structure

that clearly proves their criminal behavior. He emphasized: The total foreign currency from product sales is so large that it needs no further argument, and the participation and complicity of these defendants in large-scale disruption of the economic system through illicit acquisition of property is evident. The prosecutor's representative requested the issuance of an order to return the aforementioned assets to the Petrochemical Trading Company so that these amounts can be returned to their rightful owners. Referring to the legal basis for illicit acquisition of the mentioned funds, he said: According to Note 2 of Article 2 of the Law on Punishment of Disruptors, if managers, inspectors, or officials become aware of the actions of their subordinates, they are obliged to prevent them and take immediate and effective action, otherwise they will be considered accomplices to the crime. He added: The second part of the note concerns private and public companies, stating that if they remain silent and do not inform the relevant authorities, these individuals will also be considered accomplices to the crime. The prosecutor's representative, citing Article 43 of the Islamic Penal Code of 1991, said: This law was in effect at the time of the crime, and Article 126 of the 2013 Islamic Penal Code defines an accomplice as someone who bribes, threatens, or abuses power to facilitate the commission of a crime. He added: Seyed Alireza Hosseini, managing director of the Petrochemical Shanghai office, acted under the orders of Hamzehloo and Kheirizadeh to deposit earned foreign currencies into the petrochemical account. He must have had sufficient knowledge and experience to be aware of his organizational position, the sanctions issue, and how to circumvent them. The prosecutor's representative stated: Despite the provisions of the laws that the defendants were aware of, they knowingly engaged in wrongful actions. They also did not inform supervisory authorities, so the specific ruling of complicity in the crime fully applies to them. He said: Abolfazl Maleki Shamsabad represented the companies Ezeh and MB Barter in Iran, depositing internally sourced currency into the petrochemical accounts in Iran. Most

of the euro funds deposited at Bank Eghtesad Novin by Mr. Shamsabad were purchased from branches of that bank. The prosecutor's representative said: His actions in currency trading show that he acted as an active element in a chain and was aware of his position. He is therefore liable for complicity in large-scale disruption of the economic system and illicit acquisition of wealth.

### **The role of Marjan Sheikholeslami in the commission of major crimes**

The prosecutor's representative stated that Ms. Marjan Sheikholeslami is the CEO of the companies Deniz and Atra Tejarat, and under the order of Hamzehloo and under the pretext of circumventing sanctions, amounts were deposited into the accounts of these companies. (She was depositing currency with domestic origin or rials into the accounts of product owners). The accused is currently residing outside the country. The prosecutor's representative added: The third defendant is the CEO of the Eurons company in Dubai and has introduced Seyed Amin Ghorashi Sarvestani as his fully authorized legal representative. Although the defendant denies his role in currency transfers, since he introduced Eurons and owns 49% of it, the act of embezzling petrochemical funds abroad and the payment of 63,727,454,000 rials (approximately 63.7 billion tomans) within the country is attributed to him, with each share being 31,863,000,000 tomans. The prosecutor's representative stated that Seyed Amin Ghorashi Sarvestani was introduced to the Eurons company in Dubai, and the total amount of currency received by Eurons was 194 million euros, which was transferred via Vala Sarmaye company with domestic currency origin to the Petrochemical Trading Company; without his intervention, the crime could not have been realized. He appropriated 31,863,000,000 tomans for himself. He added: Sam Hamed, under the instruction of Seyed Amin Ghorashi, unlawfully obtained 504,900,000 rials (around 5 billion rials). Amin Investment Company was an intermediary for Seyed Amin Ghorashi, and Sam Hamed

cooperated by providing documents and concealing information. The amount of 194 million euros with domestic origin was transferred to Vala Sarmaye Amin company, and he had direct cooperation with Seyed Amin Ghorashi. The prosecutor's representative stated: Mostafa Tehrani Safa, by establishing the Euroto company under the order of Hamzehloo and under the pretext of circumventing sanctions, transferred 1 million euros from the funds of the Petrochemical Trading Company to a company in Germany.

### **Revealing petrochemical accounts abroad for personal use**

The prosecutor's representative also stated: The petrochemical company *PCC* (Petrochemical Commercial Company), a subsidiary of the National Iranian Petrochemical Company, was tasked with marketing related products domestically and internationally, and paying the proceeds from sales to the product owners and the National Petrochemical Company. He said that an examination of the contracts indicates that the Petrochemical Commercial Company acted as an agent. The managers of the Petrochemical Industries Company believed that by establishing the Commercial Company, they could organize the sale of products and related operations and gain full control over the process. To this end, the company was formed in 1990 with 100% state capital to centralize domestic and foreign activities. He added: The obligations of the Petrochemical Commercial Company were not limited to marketing; they were also responsible for exporting products and collecting payments. The former Deputy Minister of Oil and the CEO of the Petrochemical Industries Company filed a complaint through an official letter against the managers of *PCC*. Referring to the complaint, the prosecutor's representative said: The aforementioned companies, based on marketing agreements, entrusted their product sales to the Petrochemical Commercial Company in accordance with national regulations. Furthermore, according to reports

received from the General Inspection Organization of Iran, the following violations were committed by the Petrochemical Commercial Company:

- a.** Transfer of a portion of export revenues without observing legal provisions.
- b.** Conversion of product profits to rials without the required authorization.
- c.** Depositing part of the product profits into a government bank using foreign exchange of domestic origin.
- d.** Delayed settlement with companies for the price of the produced goods.

The prosecutor's representative continued: According to an initial report from the Legal Department of the IRGC Intelligence Organization acting as the law enforcement body in this case *Mohsen Ahmadian* (Director of Foreign Trade at the Petrochemical Commercial Company), along with *Masoumeh Dori Company*, caused the loss of 500 million euros and 200 million dirhams in foreign currency. Due to sanctions on state-owned companies, activities were carried out under the cover of foreign companies, which was initially meant to protect the economy and ensure that foreign currency from exports returned under secure conditions. However, he stated, a corruption scheme was uncovered wherein in several instances foreign currency was not returned. To cover up these corrupt acts, the perpetrators would expose the foreign bank accounts of petrochemical companies, claiming that the money should be transferred to their own accounts or falsely asserting that it was impossible to transfer the currency. The prosecutor's representative said: "This is a clear act of betrayal and has weakened the country's capabilities abroad, causing oil companies to fail in fulfilling their obligations." He further stated: The head of *PCC*, in submitting a formal complaint, reported according to the company's managers and based on received reports that the terms of the contract between *Lankovar Company* and the commercial manager of *PCC* (*Mohsen Ahmadian*) were not properly executed, the amounts were not deposited as invoiced, and there was no proper



contract registration (*peman sepāri*). He added that this is the largest fraud in Iran's history, with a debt of approximately 6 billion and 656 million euros three times the debt owed by *Babak Zanjani* to the Ministry of Oil. According to some informed sources, this case is not limited to the petrochemical sector and also involves Iranian ports. The last reported amount of *Babak Zanjani*'s debt, as declared by his legal advisor in international affairs, was **1,967,500,000 euros**. The Ministry of Oil reported the figure to be around **2 billion euros**. Regardless of the discrepancy, both figures are still about **4 billion euros** less than the amount cited in the latest petrochemical indictment. According to Judge *Masoudi*, who is overseeing this case, the debt amounts to **6 billion and 656 million euros**, or **three times** Babak Zanjani's debt to the Ministry of Oil.

### **Petition from Iranians living in Canada against Marjan Sheikholeslami and Khavari**

In year 2018, Iranians residing in Canada submitted a petition to the Canadian government requesting an investigation into the case of Marjan Sheikholeslami Al-Agha, who is accused of large-scale financial corruption involving billions in Iran. According to ISNA and a report from the official Twitter page of the *Journal of Iranians in Canada*, the petition also referred to the Khavari case and stated that despite repeated contacts by Iranian-Canadians, the Canadian government had not responded over the past years regarding Khavari's case. Another part of the petition reads: "While Iranian students face numerous obstacles in transferring small amounts of money or dealing with visa and immigration issues, individuals accused and convicted of billion-dollar corruption cases come to Canada and invest in this country without accountability and without facing any difficulties." The petition was organized by the Iranian Canadian Congress, and within a few days, it had gathered over 500 signatures.

## About the trial of Akbar Tabari

Asr-e Iran media wrote: Monday, June 8, 2020 is a significant day because one of the most important figures in the judiciary appeared before a judge wearing a prison uniform. **Akbar Tabari** was considered the second most powerful figure in Iran's judiciary during the presidency of **Sadegh Amoli Larijani**. He was the former Executive Deputy of the Judiciary Chief's Office. According to credible sources, his special task during his years in the judiciary was to identify major ongoing court cases, interact with involved parties, and then engage in collusion, manipulation of verdicts, and massive corruption. His office was close to that of the Judiciary Chief, and he had so much influence that, according to an unwritten rule, his word was equivalent to an order from the Chief of the Judiciary. Meeting with Akbar Tabari was a dream for anyone with a major legal case, but he only involved himself in cases that brought significant financial benefits for him and his inner circle. For him, being in the judiciary was not an opportunity to promote justice, but rather a means to engage in large-scale, illicit profiteering. A prime example is the case of Rasoul Danialzadeh, a massive banking debtor who reportedly owed **4,000 billion tomans** (roughly hundreds of millions of USD). He had been arrested but was suddenly released, had his travel ban lifted, and fled the country. Danialzadeh was the developer of one of Tehran's most luxurious towers, and it was later revealed that, as part of the corruption case, he bribed Tabari by gifting him the penthouse in that tower. (*Danialzadeh was later returned to Iran and put on trial in this case.*) Of course, Tabari was not alone in his illegal activities; multiple officials across different levels collaborated with him. Shockingly, during Amoli Larijani's tenure, no one questioned where Tabari got his astronomical wealth, such as how he bought a multi-billion toman penthouse on a judiciary employee's salary. Did his superiors never suspect him, or did they simply choose to look the other way? All things

considered, even if we don't call this the biggest corruption case in the past four decades, it certainly qualifies as one of the largest economic corruption scandals. Moreover, because corruption within the judiciary directly undermines the rights of others in legal cases, it carries even greater moral weight and should be dealt with harshly and mercilessly.

The following points are the interest to the public regarding this case:

1 – Corruption of such vast scale certainly could not have been carried out by one person alone or even by a small team especially over so many years. Just as the Judiciary, under its new leadership, pursued the **Tabari case** and brought him to trial in handcuffs and a prison uniform, it is expected that his accomplices who may still hold official positions—be arrested and prosecuted without hesitation. The Tabari case is not merely a financial file; it is the black box of corruption, and if it is opened with justice, it can greatly assist in cleansing the system.

2 – The former head of the Judiciary must also, within the framework of the law, answer for his handling of Akbar Tabari. Let us not forget: everyone is equal before the law.

3 – People are concerned that the final verdict may not match the severity of the crimes committed. While this may be a premature judgment, there is hope that the same resolve that brought down Tabari will also result in a punishment that serves as a lesson for him and his partners.

4 – Tabari and his network, during their two decades in the Judiciary, influenced numerous cases and violated the rights of many individuals. It is expected that these cases will be reinvestigated and the lost rights of the people restored.

5 – The corruption-prone structures within the Judiciary must also be reviewed and reformed. Otherwise, even the execution of Tabari will not prevent the emergence

of future Tabaris. It is recommended that Ayatollah Raeesi, the current head of the Judiciary, form a specialized team to identify key corruption points and implement structural reforms within the Judiciary.

Akbar Tabari's 31-year prison sentence confirmed by the Supreme Court

With the decision of the judges of the Supreme Court, the verdict in the case of **Akbar Tabari**, the former Executive Deputy of the Judiciary Chief's Office, was finalized and approved by Branch One of the Supreme Court. The former executive deputy of the Judiciary was sentenced to 58 years, 9 months, and 20 days in prison, along with a fine of 1,000 billion rials. According to the law on the enforcement of the most severe punishment, only 31 years of imprisonment would have been enforceable. However it was later heard that during President Raisi's administration, he was released from prison.

### **Why did the release of Akbar Tabari make news?**

Given that, in September 2020, the spokesperson of the Judiciary announced that Akbar Tabari had been sentenced to 31 years of Penalty imprisonment, it is now reported that, less than three years later Tabari has been released from prison on heavy bail after two of his charges were overturned due to efforts by his lawyers and the submission of new evidence. The news of Akbar Tabari's release became widely discussed after it was revealed by the head of Iran's Prisons Organization during a live television broadcast. On the evening of Wednesday, June 28, 2023, Gholamali Mohammadi, head of the Prisons Organization, appeared on a TV program and, regarding one of the most controversial financial corruption cases in recent years and its main defendant, Akbar Tabari, stated: "Tabari has not received a pardon, has not been on furlough, and is not in prison." These remarks once again drew public attention toward **Tabari**, the Lavasan case, and his associates.

The Tabari case was one of the most controversial cases during the early days of Ebrahim Raisi's tenure as head of the judiciary (before becoming president). Raisi took over leadership of the Judiciary on March 7, 2019 and dismissed Akbar Tabari just seven days later. One year afterward, Tabari's trial sessions began, eventually leading to his conviction. Throughout year 2020, Tabari's court proceedings were followed closely by media and the public. Some of his remarks to the judge became headlines for months. For instance, his famous quote:

*"I have good friends, and if I want, they would even register Lavasan in my name."* (now symbolic of his influence) drew much attention. Now, the news of his release on a 30 trillion rial bail (~300 billion tomans) reportedly posted with the help of Mostafa Niazazari, (a fugitive in the same case who fled to Canada) has sparked a new wave of public outrage. The release of Akbar Tabari, and the comparison of his situation to that of ordinary convicts, has not only provoked public criticism, but also criticism from conservative media and government supporters. The newspaper *Kayhan*, in a sharply worded editorial addressed to the Judiciary, wrote: "This influential convict who boasted in court about his powerful friends willing to do anything for him someone expected to never again taste the luxury life and spend the rest of his days behind bars is now out of prison by a court ruling and awaiting a retrial decision on some charges. No explanation can make this acceptable to the public." People are asking:

- How did Tabari manage to post such a massive bail (300 billion tomans)?
- Are those same "sacrificial friends" helping again?
- What guarantees exist to prevent him from fleeing the country?

*Kayhan* further criticized the judiciary: "Certain concessions granted to high-profile and influential convicts even if legally justifiable are not acceptable to the public and

fuel discontent among ordinary people who struggle for years in court over much smaller cases.” “Sometimes, the greater good may demand that the judiciary be harsher on the elites, especially when their trial became a symbol of hope and reassurance to the public not the opposite, by offering them privileges.” Former conservative MP Hamid Rasaei also criticized the judiciary in a tweet: “The Judiciary’s PR office says Tabari is awaiting retrial meaning he might be acquitted. If that’s the case, then justice demands that Raisi or Ejei (heads of judiciary at the time) be held accountable. How can someone be convicted in that manner, and now be acquitted? If Tabari is acquitted, then one of the two judiciary chiefs committed injustice and must be investigated.”

### **Financial corruption of Debsh Tea Company**

The Debsh Tea financial corruption case refers to a major economic scandal within the Islamic Republic of Iran that occurred during the administrations of Presidents Rouhani and Raisi. The embezzled amount was approximately \$3.4 billion USD (equivalent to nearly 140 trillion tomans at the time of the crime), making it one of the largest financial corruption cases in Iranian history. The corruption involving Debsh Tea Company began in 2018 and continued until the mid-2022. The main misconduct was centered around the allocation and misuse of over \$3 billion in foreign currency, which had been granted to Debsh Tea and its affiliated companies for import purposes. This scandal is widely regarded as unprecedented in scale, both in terms of the amount involved and the duration over which it took place.

### **Introducing Dabsh Agro-Industry Group**

Debsh Agro-Industry Company, operating under the “Debsh Tea” brand and managed as a family-run business, has become one of the largest tea producers in

Asia. By 2023, the company had achieved an annual production capacity of over 6,000 tons of tea. In addition to its operations in Iran, the Debsh Group has also expanded internationally by cultivating and processing tea in several African countries. In the Thirteenth Administration of Iran, the large-scale embezzlement case involving the Debsh Tea Company was officially confirmed and publicly announced for the first time by the General Inspection Organization of Iran (GIO) on December 2, 2023. According to the GIO, between 2019 and 2022 the Debsh Agro-Industrial Group received **\$3.37 billion** USD in foreign currency for the purpose of importing tea and machinery, **\$1.472 billion** USD of which was in subsidized (government-rate) currency. GIO head Hassan Khodayian stated that importing tea and machinery by this business group required official registration and approval from the Ministry of Industry, Mine and Trade (MIMT), the Ministry of Agriculture Jihad, and the Central Bank of Iran. During 2021 and 2022, import applications by this group were approved well beyond the actual national need, and the Central Bank swiftly allocated foreign currency upon request in contrast to other importers, who were subject to stricter criteria, such as prior import history. A detailed review of this group's performance regarding foreign currency transfers and tea imports revealed numerous irregularities, prompting the GIO to open a case for failure to fulfill currency-related obligations. Separate cases were also referred to the Tehran Public and Revolutionary Prosecutor's Office involving government agencies that had approved and allocated foreign currency to this group, based on findings of procedural violations. In addition, part of this case was under investigation at the Special Court for Economic Crimes in 2023. Khodayian explained that Iran consumes approximately 100,000 tons of tea annually, with around 70% being imported. While nearly 100 companies are involved in tea imports, the majority of the imports were handled by a single business group of Debsh. From year 2019 to late March of 2022, this group received approximately

\$3.37 billion USD for tea imports and for purchasing advanced printing and packaging machinery. He noted that 79% of the NIMA system currency (a platform for controlled foreign exchange in Iran) allocated for tea imports was granted to this single entity. He stated: In 2022 alone, the total foreign exchange provided for tea imports was about \$1 billion and 396 million, of which \$1 billion and 101 million was allocated to this group. The head of the General Inspection Organization stated that the aforementioned business group has not yet fulfilled its obligations for \$1.4 billion of the foreign exchange it received (in 2023,) and has not imported any goods into the country. He continued: "According to the follow-up, it was determined that part of the government foreign exchange received by this group was sold on the free market for higher amounts." Regarding the import of machinery by the Debsh Trading Group, Hassan Khodayian, head of the General Inspection Organization of Iran (GIO), stated: *"In addition to the subsidized currency allocated for tea imports, over **\$1.472 billion USD** was allocated to this group between 2019 and 2022 for the import of related machinery. These allocations have added to the group's total currency obligations, and following the expiration of the legal deadlines, the unfulfilled obligations are now considered overdue."* Khodayian also pointed to fraudulent activities in the registration and importation process, stating: *"The company registered orders for high-grade Indian tea under the name Darjeeling, at a price of \$14 per kilogram. However, in reality, it imported low-grade Kenyan tea and second-grade Iranian export tea valued at approximately \$2 per kilogram. Despite the mislabeling, the Food and Drug Administration of Iran approved the quality of the imported tea through a system-based review, using samples provided by a customs evaluator who was complicit in the scheme."* He further revealed serious violations in the customs clearance process, noting: *"The customs system had assigned a 'green channel' clearance status for this group's shipments, meaning goods were cleared automatically through the system with basic approval*



*checkboxes. This process bypassed the required yellow or red channel checks normally mandated for tea imports due to the need for quality assurance from various regulatory bodies."* Khodayian emphasized that the group's import activities including both tea and machinery required prior registration and official approvals from the Ministry of Industry, Mine and Trade (MIMT), the Ministry of Agriculture Jihad, and the Central Bank of Iran. However, during 2021 and 2022, the group's requests were approved well beyond the national demand, and currency was allocated immediately upon request—a process not afforded to other importers, who faced strict scrutiny based on past import history and fulfillment records. Some importers reported that none of their requests were even approved. Given the repeated instructions from the Head of the Judiciary that both misusers of allocated currency and the authorities who enabled such allocations must be held accountable, Khodayian confirmed that the GIO has taken formal legal action. He stated: *"Due to the financial violations and criminal conduct involving officials from various ministries and organizations including the Ministry of Agriculture Jihad, the Ministry of Industry, the Iranian Customs Administration, the National Standards Organization, and certain banks a comprehensive report has been submitted to the Special Prosecutor's Office for Economic Crimes."*

### **Central Bank's unusual behavior in 2022 regarding the allocation of foreign exchange to Debsh tea**

In this context, the Special Inspector to the then-President on Economic Corruption stated in an interview with *IRNA* (Islamic Republic News Agency) regarding the violations in tea imports related to a specific brand: "What happened pertained to a specific period during which more currency than necessary was allocated to the mentioned company for imports via the NIMA system (Iran's subsidized foreign currency exchange platform), and the figures involved are quite significant." Hassan

Darvishian added: "The Presidential Special Inspection Office and the Ministry of Intelligence took action as soon as they became aware of the matter. Necessary measures and correspondence were carried out with the Ministry of Agriculture, the Central Bank, and Customs Administration to gather information. As a result, the allocation of further currency to the company was stopped, and the case is currently under judicial review." Darvishian emphasized: "Of course, part of this currency had already been paid to the company in the past, and in our opinion, even that should not have been approved. In some cases, the company had obligations but failed to fulfill them within the designated time, and the Organization for Governmental Sanctions also pursued the matter."

### **Major violations of the Debsh Tea Company**

According to officials, some of the violations committed by the Debsh Tea Company in this case can be summarized as follows:

#### **1-Distribution and trade of carcinogenic and toxic tea**

In 2020, a member of the Northern Iran Tea Farmers' Union reported that following an alert from law enforcement, one of the company's trailers was stopped in transit. Investigations and testing revealed that the tea on board had been produced in 2000, and subsequent tests showed it contained aflatoxins, making it unfit for human consumption and requiring destruction. Apparently, company officials had mixed this old tea with freshly harvested tea, packaged it, and released it to the market.

#### **2-Importing low-quality tea at inflated declared prices**

The company registered its imports as premium-grade Indian tea, but actually imported second-grade Kenyan tea, with a price discrepancy of up to \$12 per kilogram. The inferior tea, purchased at \$2/kg, was sold in the market for \$14/kg. Interestingly, regulatory bodies such as the National Standards Organization,

Customs, and ministries like the Ministry of Agriculture, as well as the Food and Drug Organization, had all approved the quality of the imported tea—something that was also confirmed in statements by the head of the General Inspection Organization, indicating the scale and coordination involved in this organized corruption.

**3-Selling subsidized NIMA exchange currency on the open market** Part of the NIMA-subsidized foreign currency that was meant for importing goods was sold by the company on the black market at higher rates.

**4-Failure to fulfill commitments for received NIMA currency** The company failed to meet its obligations for \$1.4 billion worth of NIMA currency it had received no goods were imported in exchange for it.

## **5-Market disruption**

By dumping excess imported tea into the Iranian market, the company disrupted the market balance and placed smaller producers at risk of losing their share.

**Why do corruption figures keep getting larger, and why isn't it reported and monitored in the early stages?**

In December 2015, during Anti-Corruption Week and the National Conference on Promoting Administrative Health and Combating Corruption, many officials from the government, judiciary, and parliament raised various names and indicators related to the growth of economic corruption and its causes and roots. Each pointed to specific aspects of major financial corruption cases in the 2010s. The week began with the announcement of a 12,000 billion toman corruption case, which set a new record for the decade. Each official noted the involvement of two to five banks, highlighting the scale of the issue. But the fundamental question remains: Why, despite the emphasis of officials over the past two decades to combat

corruption, is the economy still underground, hidden, non-transparent, black, and gray? and despite the public exposure of some major corruption cases do we still see increasing levels of large-scale financial corruption in the country. Another question is: Why are officials only announcing massive figures billions and thousands of billions and what is the purpose of such disclosures? In the streets and markets, there are various speculations. Some citizens and experts believe these large figures are announced to serve as a lesson to others and to emphasize the necessity of fighting corruption. However, some individuals with influence over banks, markets, imports and exports, government agencies, customs, etc., continue to perpetrate even larger financial corruptions. A second group of experts believes that these high-profile corruption case announcements from Amir Mansour to Babak Zanjani to the Debsh Tea case are political reactions. Some factions, they argue, sound the alarm to challenge others in the power struggle. Such widespread public announcements, which highlight the looting of national resources and public funds, do not actually reduce corruption. Instead, they increase public and official anxiety, and demonstrate that if the roots of corruption are not addressed through serious economic reforms, auditing, and oversight and if media coverage merely focuses on people and names for a while without real systemic action, larger corruption cases will continue to emerge. A third group of experts believes that the judiciary, courts, and government are seriously addressing corruption, and that legal, political, economic, and social factors all play a role. Unfortunately, they argue, the impact of these corruption news stories on the economy and investment is more damaging than the financial losses themselves, because people feel that some individuals are exploiting banking resources for huge profits, while others are struggling just to survive. These experts emphasize that structural problems in the economy such as the broad role of the government, oil dependence, massive budgets and spending, banking and financial flows, and command-based economic policies have all

allowed corruption to take on various forms. This has created opportunities, rents, and special privileges for a small group with influence in government institutions and banks. According to some experts, the publicizing of major financial corruption cases, the punishment of those involved, and even the execution of certain key individuals have not eradicated the root of the problem. While the iron fist of legal action should serve as a lesson to some and reduce the number of corrupt actors, the lack of attention to the root causes of corruption has, in practice, led to its continued growth in recent years. These experts believe that fundamental action against the roots of corruption should not be limited to legal measures, publicized trials, or media coverage. Instead, there should be an invisible yet powerful presence of banking standards, financial oversight, inspectors, accountants, and auditors across banks, government institutions, and customs offices. We must apply the principles of economics to reform the country's economic structure. Such reforms include: - Reducing the government's role in the economy. - Downsizing state institutions. - Reforming regulations. - Reducing dependence on oil revenues. - Limiting state-mandated banking and economic policies. - Eliminating compulsory loans. - freeing the economy from government intervention. Streamlining policymaking, and Avoiding overlap and redundancy among institutions. These measures have been emphasized for years, yet the size of the shadow (black and gray) economy continues to grow mainly because economic and governmental policy reforms have not been effective. According to some observers, the existence of special permits and privileges in Iran's economy, the massive size of the government and state-owned companies, and the expanding underground economy (including smuggling of goods and currency) are to blame. The gray economy refers to parts of the economy that appear legal but in practice involve bypassing regulations or exploiting influence through banking and government channels. To combat both the black and gray economies, experts stress the need for: Rule of law, good governance, Regulatory

reforms, Economic restructuring, Transparency, flexibility, Fair competition, and Economic liberalization. One issue that has gained attention in recent years is the delay in addressing corruption when it first emerges. When a conscientious inspector reports a violation by an agency or company, it often does not receive timely attention. Even when the report is made public by a media outlet, oversight bodies often fail to react swiftly. Then, only much later, we see widespread news coverage of the violations and the question arises: Why do we allow these violations to grow and worsen? Why is no immediate action taken in the early stages, and why do we only act when the snowball has become an avalanche, causing greater damage? If investigations into the 12,000-billion-toman, 3,000-billion-toman, banking, customs, and networked group corruption cases had been launched as soon as the first reports were made, the damages could have been contained and their destructive impact on the economy minimized. Therefore, it is imperative that the Central Bank, the banking system, customs authorities, and the General Inspection Organization act swiftly, decisively, and powerfully in handling networked and mafia-style corruption cases especially against those who claim to have influence everywhere and the ability to operate in any organization. They must also respond to reports from auditors, inspectors, and the public, and prevent these groups and networks from becoming more powerful. If economic oversight is strengthened through a covert network of inspectors, accountants, and banking and financial standards, and the invisible hand of the economy along with powerful legal supervision and standards strengthens oversight, combats corruption, and does not allow activities outside the law and standards, then definitely the misuse of banking resources will decrease. Unfortunately, there have been cases reported where, instead of promptly addressing the reports of some inspectors and those responsible for overseeing financial and customs operations, some have fabricated cases against the inspectors themselves and taken action against the supervisors. Instead of preventing a major corruption

case, an excuse has been created for the misconduct of one employee or their colleagues and friends, and the main issue has been diverted from its proper path. Such interferences cause discouragement among inspectors and supervisory personnel, and as a result, no one reports violations until a large-scale corruption occurs. However, if these actions are carried out discreetly and supported by high-ranking officials, and if we witness the invisible hand of regulations, standards, and inspectors' and accountants' reports, gradually these types of violations and the growth of corruption amounts will be prevented. Unfortunately, when these reports are reviewed and confronted by some inspectors of various organizations, they face severe reactions and case-making by opposing groups, which weakens their ability to resist, report, and confront these factional groups. Until the necessary will from high-level officials to confront these factions is strengthened, we will continue to witness the emergence of larger corruption cases. Unfortunately, the media and officials focus on the large and growing amounts in corruption cases, while other items should also be given attention, and accounting, auditing, and inspection standardization methods should govern all sectors of the economy to prevent the strengthening of large-scale corruption within economic entities. This should not allow some people to continue their major and minor violations by claiming influence within various institutions and organizations. Accordingly, the judiciary and officials in banking, customs, economic, security, and intelligence sectors should form working groups to strengthen the national will and determination to combat corruption. The reality is that sometimes news about economic corruption causes more damage to the economy and society than the corruption itself and reduces the trust and sense of belonging among the people and economic activists. Therefore, the manner of handling, informing, and transparency regarding these cases must be managed in a way that strengthens the hope of economic activists and the public. Because if some people inform against others and report violations, and

others engage in case-making against others and undermine the reputation of others, it is the economy and national interests that suffer damage, weakening productive investment, resource attraction, job creation, and reducing the country's problems. The financial operations of banks, letters of credit (LCs), and import/export licenses must be organized. The focus should shift from a money-driven economy to a transparent economy based on trade and production. The foundation for encouraging economic activity should be production, employment, and investment. The invisible hand of the market, along with the oversight of accountants, auditors, and inspectors, must govern economic activities. The vigilant eyes and sharp minds of nearly one million accountants and inspectors from banks, customs offices, various government and private institutions, the Ministry of Economy, the Planning Organization, the Supreme Audit Court, the General Inspection Organization, the Consumer and Producer Protection Organization, and the Pricing, Production, and Distribution Regulatory Organization must implement continuous and constant controls over the economy. In previous years, when bank branch managers were asked why they withdrew funds from government accounts on the 30th of each month and transferred them to private accounts only to return them the next day in order to show inflated deposit numbers for the branch and bank they responded that "this is a common practice, and senior managers are aware." This kind of response and banking practice shows that adhering to legal and ethical standards is a difficult task that requires greater diligence, seriousness, and stronger oversight to properly manage the sea of liquidity, accounts, funds, and credits. Therefore, not only should independent accounting, auditing and oversight institutions be present as supervisory tools for the Central Bank and defenders of public rights with continuous monitoring of bank operations, but also financial misconduct cases should be dealt with more swiftly and immediately reviewed by specialized banking courts upon the first reports of violations. A financial turnover of 12 trillion tomans or even 3 trillion



tomans over a few years should not be allowed to result in widespread violations. Instead, serious and swift action must be taken at the very first reports of billion-toman irregularities using such “routine” methods by offenders. Economic corruption is not limited to banks; there are also reports involving customs and the commodity market. Unfortunately, some groups and cartels import low-quality goods under the label of high-quality products. They declare them as MP3 players when, in fact, they are mobile phones in transit into the country. They pay lower tariffs, declare lower values during import, and declare higher values during export. Certain food and pharmaceutical items also enter the market without adequate quality, standards, or health certification. In connection with economic misconduct, we quote part of an open letter by a journalist named Sanjar T. to a member of the Islamic Consultative Assembly: “To the hypocrite in the cloak of piety, greetings. I saw your speech in parliament you haven’t changed at all. Your tall tales and whitewashing haven’t diminished, if anything, they’ve increased. You hold your prayer mat up in show and button your collar up to your throat as if seven generations of your family were born into sainthood. Amazing! You nitpick over technicalities and speak of prayer times while violating rules and religious principles, as if everything you’ve done is pure and sacred. Once, at the municipality, you burned through public wealth and gave away unaccounted money and land as you pleased. Your sentimentality reminds me of another case of your infamous generosity: the allocation of **49,600 square meters** of land in Tehran’s District 22 to a charity affiliated with close relatives at a price of **149,000 tomans per square meter** — all under the pretext of service to the municipality. Do the math: 49,600 m<sup>2</sup> at that price is more than just ‘free dessert’. Back then, when you were giving away public assets, were you worried about regulations, what’s halal or haram, or the loss of public wealth? Do you remember the story of **Isa Sharifi**? He was the deputy and ran everything. He stole so much that even his friends complained. But you couldn’t

cover for him, so you told yourself to step aside lest your robe be stained. I won't take much of your time. I know you're busy solving people's livelihood issues and protecting cyberspace."

**We are in the stage of "systemic" corruption.**

Ahmad Tavakkoli, the representative of the people of Tehran in the 9th Islamic Consultative Assembly (Parliament), dedicated his final mid-session speech on May 10, 2016 to the topic of corruption, its vastness, and the ways to combat it. He stated that today we have reached a critical stage in terms of the spread and depth of corruption, and added: "In the literature of political economy, this stage of corruption is referred to as '**systemic corruption**', meaning that the very institutions responsible for oversight and addressing corruption themselves become tainted to some degree. At a more severe stage, the corrupt elements or those under their protection gain influence in decision-making channels." The representative of Tehran in the Parliament stated that *political corruption is defined as the misuse of public power for private purposes*, and added: "Today, political corruption exists all over the world. In this regard, there is no difference between developed industrialized countries, developing countries, and underdeveloped nations." He continued: "The difference lies in how governments deal with corruption-prone environments and financial offenders. People's perceptions of corruption and corrupt individuals are primarily shaped by the behavior of their rulers, the extent of media freedom, the media's commitment to national interests, and the tolerance rulers show toward criticism." The Ninth Parliament representative noted: "In our country, we appoint a manager and shareholder of a private bank as the head of the Central Bank, and on the other hand, institutions such as 'Pardisban' and 'Padideh', which are corrupt and law-breaking companies, are given advertising airtime on national TV. And when the corruption in these institutions is exposed, not even a single apology

or convincing explanation is offered by the relevant officials or by national broadcasting (IRIB).” He added: “Institutions such as ‘Mizan’ and ‘Thamen al-Hojaj’ operated for years, deceiving and plundering people’s assets under the false claim of being under the supervision of the Central Bank and displaying the judiciary’s emblem without any action being taken against this deception under the guise of state authority.” The representative of Tehran in the Islamic Consultative Assembly said: “Despite the clear messages and follow-ups by the Supreme Leader regarding corruption, the declining sensitivity of officials toward this issue has created the unrealistic perception among the public that this deadly disease has become widespread. The ugliness of financial corruption has faded in the eyes of many people. Since some media have become beholden to the corrupt, society seems to be quietly adapting to a peaceful coexistence with corruption and economic wrongdoers.” He continued: “Even though we may not be able to justify or oppose every case of parliamentary candidate approvals or disqualifications, it is evident that some disqualifications were related to corruption, while some approvals happened without sufficient attention to this critical issue. When corrupt businessmen provide money to certain MPs in exchange for votes, they are essentially buying influence in advance.” Tavakkoli emphasized: “When the Head of the Judiciary has to replace the judge in a powerful person's case twice just to carry out a trial, and when 170 judges are dismissed in a decisive action—or when similar actions take place in law enforcement it means we are in the phase of *systemic corruption*.” He added: “Of course, systemic corruption does not mean that all capacities are lost. For example, the cleansing of the judiciary from corrupt judges and the prosecution of wealthy and powerful individuals in recent years shows the presence of honest judges and the judiciary’s commitment to fighting corruption. Other signs include the passage of transparency and anti-corruption laws such as the *Law on Access to Information*, *Anti-Money Laundering Law*, *Anti-Smuggling Law*,

etc., in the last two or three parliamentary sessions, as well as the Eleventh Government's (Rouhani administration's) support for cutting off corruption and rent-seeking pathways. This includes the refusal to exclude petrochemical products from the commodities exchange and the pursuit of excessive executive salaries and the reform of corruption-prone issues in oil contracts all of which demonstrate existing anti-corruption capacities across the three branches of power." The Tehran MP concluded: "Neither economic sanctions, nor foreign aggression, nor a velvet revolution are the main threats to the system. The real danger is *financial corruption in its current form*, which beyond religious beliefs puts all our scientific and empirical foundations at serious risk."

### **Fighting corruption one day and living with it the next day.**

In the early minutes of International Anti-Corruption Day in the year 2017, this note was presented by one of the economic experts: "With the belief that corruption, like termites, has gnawed away at the foundations of our economy, culture, justice, and humanity and it only takes a shake to bring it all crashing down." following note referred to the cultural roots of corruption and the methods of combating economic corruption in Iranian society.

#### **1. Lack of Meritocracy**

We are still in a situation where, first, the circle of important managerial positions in the country is very narrow and closed, and second, the selection of *qualified managers* has been replaced by the selection of *loyal followers*. That is, it is not the person with the most expertise and efficiency who is chosen, but rather the one who has the strongest record of obedience and flattery.

#### **2. Cover-ups**

It is rare for corruption in an organization to be immediately disclosed once discovered. Managers often attempt to cover it up allegedly to protect the organization's reputation. This leads external stakeholders to shift their suspicion from individuals to the entire organization. By the time the matter is officially announced, rumors and unofficial reports have already spread widely, severely damaging the organization's credibility and trust.

**3. Vulnerability of Whistleblowers** In leading countries in the fight against corruption, *whistleblowers* those who expose corruption and abuse of power are granted legal immunity and protections. However, in our country, whistleblowers are extremely vulnerable, and we've seen numerous cases where they have been dragged into court and even convicted.

**4. Culture of Confidentiality** The level of confidentiality in administrative processes and actions in our country is excessively high. Managers have become accustomed to stamping even the most trivial letters as "confidential," thereby removing them from the normal correspondence flow and hindering the free circulation of information. As a result, inefficiencies, bad decisions, discrimination, abuses, and collusions are hidden under a blanket of secrecy.

**5. Person-Centered Instead of Process-Centered** In our administrative and judicial systems, individuals play an outsized role. In offices and courts, a single clerk, auditor, administrator, or investigator can significantly influence the course of a case. One person can get something done in minutes or delay it for months. This blatant discrepancy in time and process cannot be monitored or automatically prevented anywhere in the system. The way tasks are distributed hides disruptions in the process flow, making it impossible to detect failures. Hence, a corrupt individual can confidently run their own fiefdom.

**6. Neglect of E-Government** The implementation of e-government services in our administrative and judicial systems is progressing extremely slowly. Iran holds a weak position regionally and globally in terms of digital governance. We rarely draw on international experience, instead reinventing the wheel. Furthermore, inter-agency collaboration is poor, and each organization acts independently. So even if services go digital, their siloed nature still leaves room for exploitation.

**7. Transparency Is for the Neighbor** Officials frequently talk about the need for transparency but always as if it's something for *others* to practice. No official starts with themselves or their own institution. Many public but non-governmental organizations seek exemptions from transparency requirements by appealing to high-ranking authorities and often succeed. A large portion of public companies do not pay taxes. Oil revenues and expenditures remain opaque. Major loans are kept secret. Significant judicial cases are held behind closed doors.

**8. Patronage (Recommendations)** Unfortunately and tragically offering and accepting personal recommendations has lost all sense of shame in our culture. It has become not just common, but even socially justified. People routinely turn to MPs, ministers, clerics, or influential figures to get their work done. These individuals, in turn, easily pick up the phone or write a note to recommend that "this honorable friend's issue be resolved." And in doing so, rights are denied, priorities are distorted, and regulations are erased.

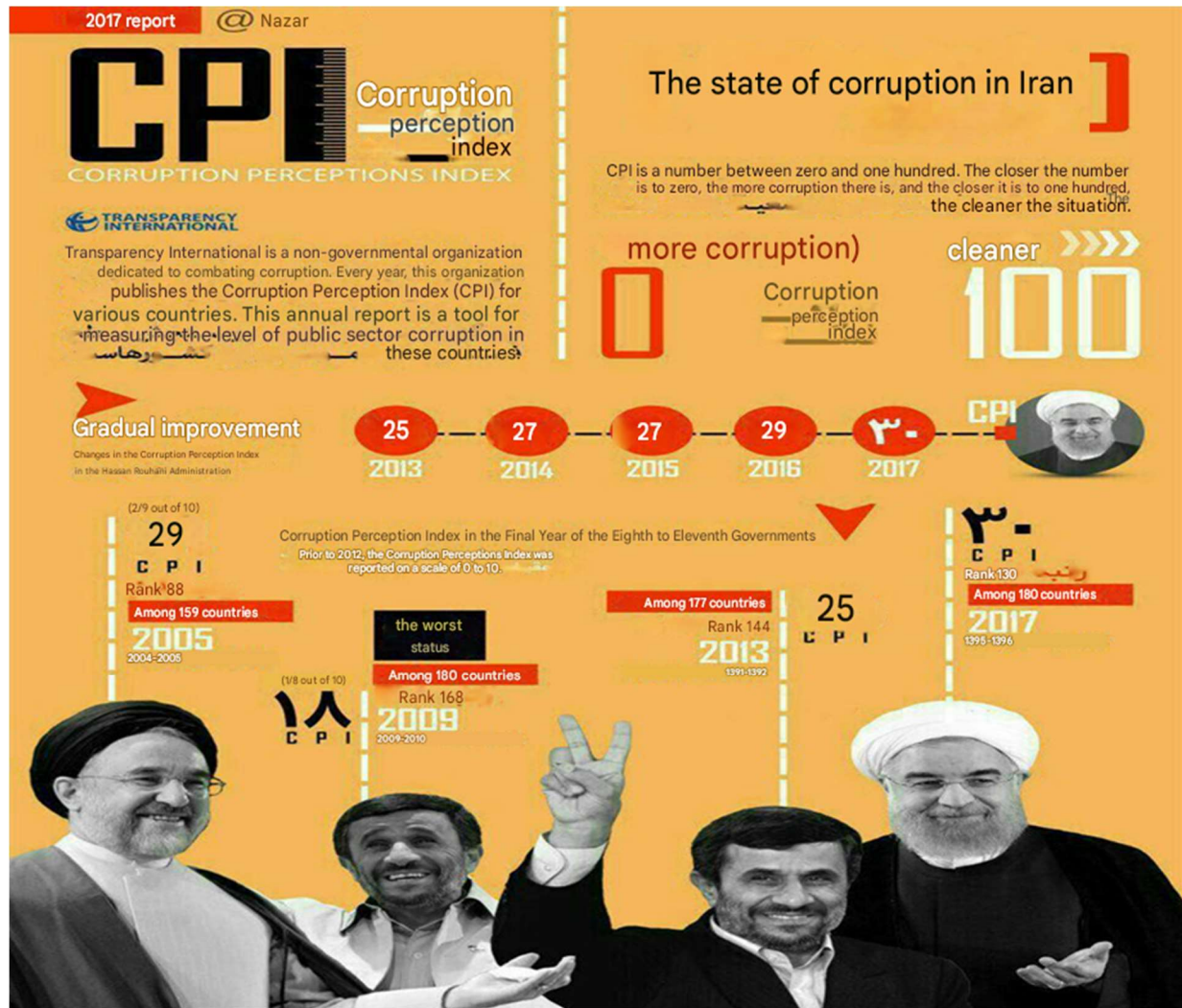
**Conclusion:** These points are just a glimpse of a much deeper issue corruption is a dense and complex web that requires serious critique and reform. What must be recognized is that corruption is a rot that grows on stagnant water. An economy that is stagnant, a society that is inwardly trapped, and a politics consumed with itself these all create fertile ground for the weeds of corruption to

grow. The government, judiciary, and parliament must fundamentally change their approaches. Their current methods have preoccupied them with themselves and robbed them of the opportunity and power to bring about real change. **The cure for corruption is reform.**

### **The situation of economic and financial corruption in different governments in Iran**

Corruption ranking of governments in Iran: Khatami government ranked 88th - Ahmadinejad's first government ranked 168th - Ahmadinejad's second government ranked 144th - Rouhani's government ranked 130th.

The chart below shows the level of economic corruption in four governments.





## **Structural corruption in Iran**

Corruption in Iran has become a widespread and systemic phenomenon that has affected all aspects of the country's social, economic, and political life. Iran's traditional marketplace (*bazar*), which was once one of the pillars of the productive economy, has now become part of this pervasive corruption network. Alongside two major institutions the Execution of Imam Khomeini's Order (EIKO) and the Islamic Revolutionary Guard Corps (IRGC) Friday Imams also play a significant role in strengthening the economic corruption network. These religious leaders, by managing endowment-based and religious institutions such as the Endowments Organization and mosques, have access to vast financial resources that often operate without oversight or transparency and are not accountable for their expenditures. Friday Imams, who are appointed as the Supreme Leader's representatives in various cities, not only play political roles but also interfere in the management of local economic projects and financial resources. Examples of financial abuse by these religious leaders include appropriating endowed lands for personal gain and using endowment funds for private commercial purposes. The roots of systemic and pervasive corruption in Iran and its fundamental consequences can be seen in the IRGC, which, as one of the core institutions involved in corruption, has evolved militarily into an economic empire, controlling key sectors such as oil and gas and construction. The Supreme Leader's Office, through the management of institutions like the Execution of Imam Khomeini's Order, also controls vast financial resources without transparency and prevents independent oversight. Religious leaders and Friday Imams, by abusing their positions, have contributed to the expansion of corruption within the economic, financial, and political systems. The traditional market, which once supported productive commerce, has become a tool for

monopolization and the interests of powerful rent-seekers. This system operates in such a way that every institution, in collaboration with others, not only benefits from economic corruption but also actively reinforces it. The corruption network established within the Islamic Republic is the result of a complex and coordinated interaction among the country's political, economic, and religious structures, which over time has transformed into a coherent and institutionalized system. This network is founded on a lack of transparency, centralized power, and the misuse of religious tools, and is designed in such a way that widespread corruption has become an inseparable part of the governing structure. In this system, key government institutions not only fail to combat corruption but have become its main actors, perpetuating and normalizing its presence. Friday Imams, the traditional market, and various other economic and political institutions each play a unique role in this corruption system, ultimately strengthening the cycle of corruption.

**The most important causes of corruption in Iran are as follows:**

1. Lack of administrative transparency.
2. Lack of documentary transparency, such as the lack of transparency in the flow of money and goods.
3. Weak oversight and monitoring.
4. Economic corruption, which contributes to widening the class divide.
5. Hesitation and lack of decisive action against the economic corruption of state officials.
6. Intervention of government institutions in the economy.
7. Lengthy judicial processes, leading to cases becoming statute-barred before resolution.

8. A culture of rent-seeking and the pursuit of easy and large-scale income.
  9. An overly large, bureaucratic, and complex administrative system.
  10. Lack of transparency in the reporting of banks and other financial institutions.
  11. Interference of ruling institutions in the economy.
  12. Failure to prioritize anti-corruption efforts in the legislative branch (parliament).
  13. The administrative system lacks the necessary level of transparency.
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**This book is translated in year 2025**

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